

SMETA 7.0: First 3 months

Sedex 

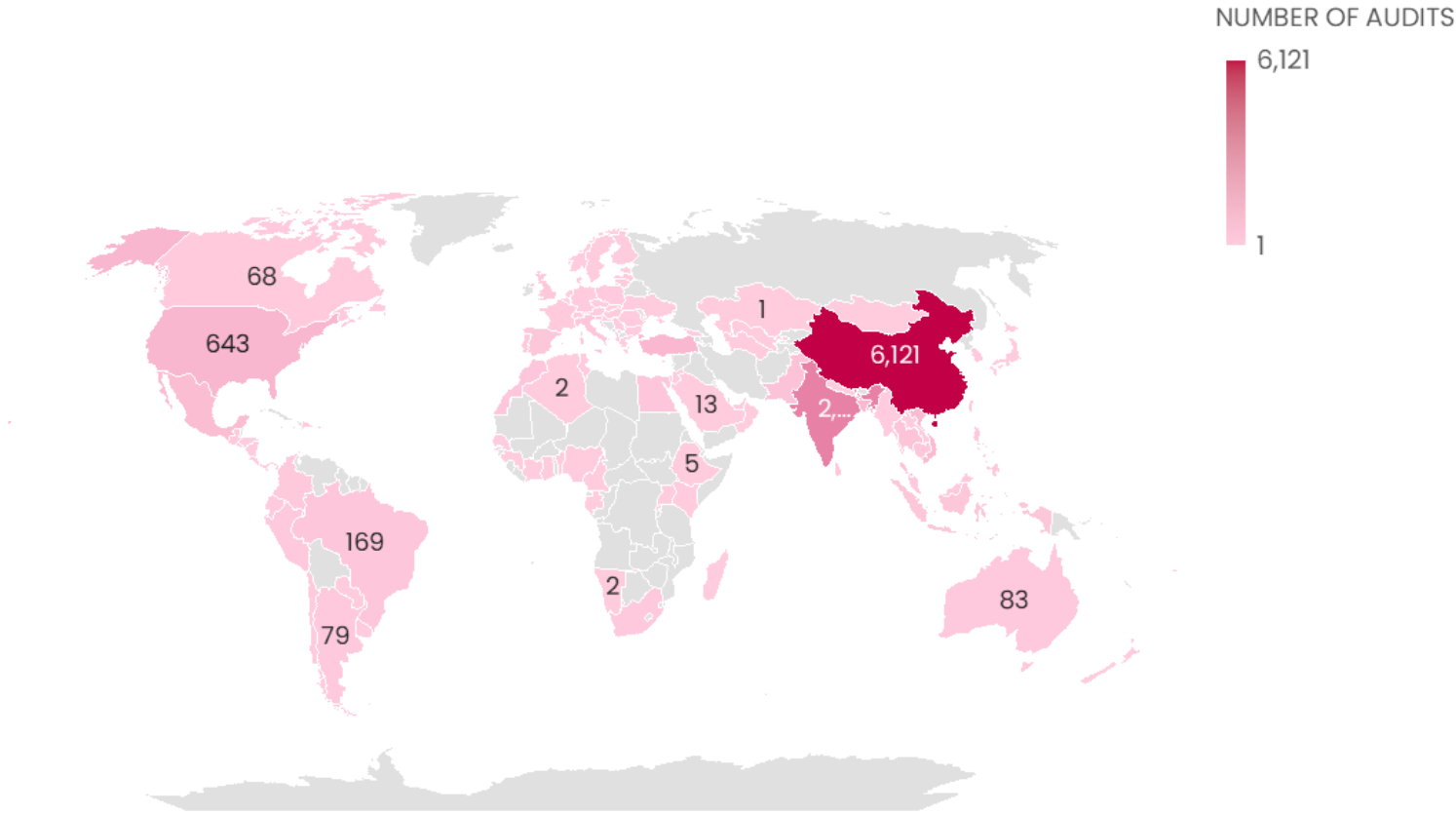
SMETA in Numbers

15,066 audits scheduled

13,977 audits submitted

13,342 audits published

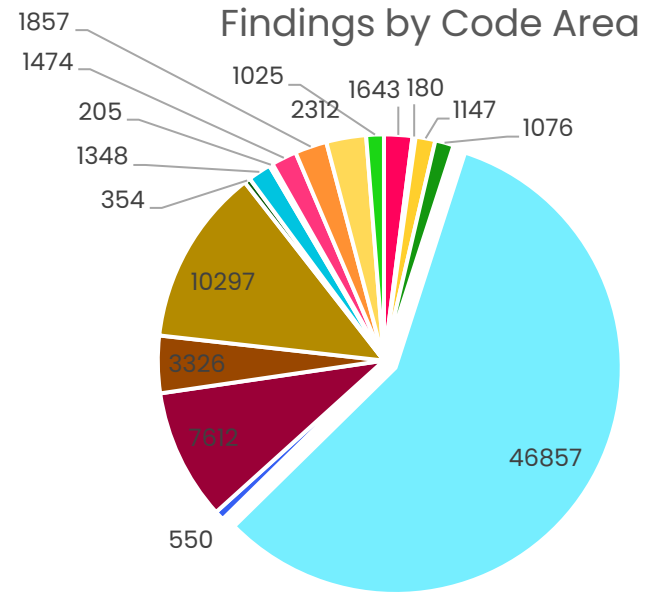
Global Distribution of SMETA 7 Audits



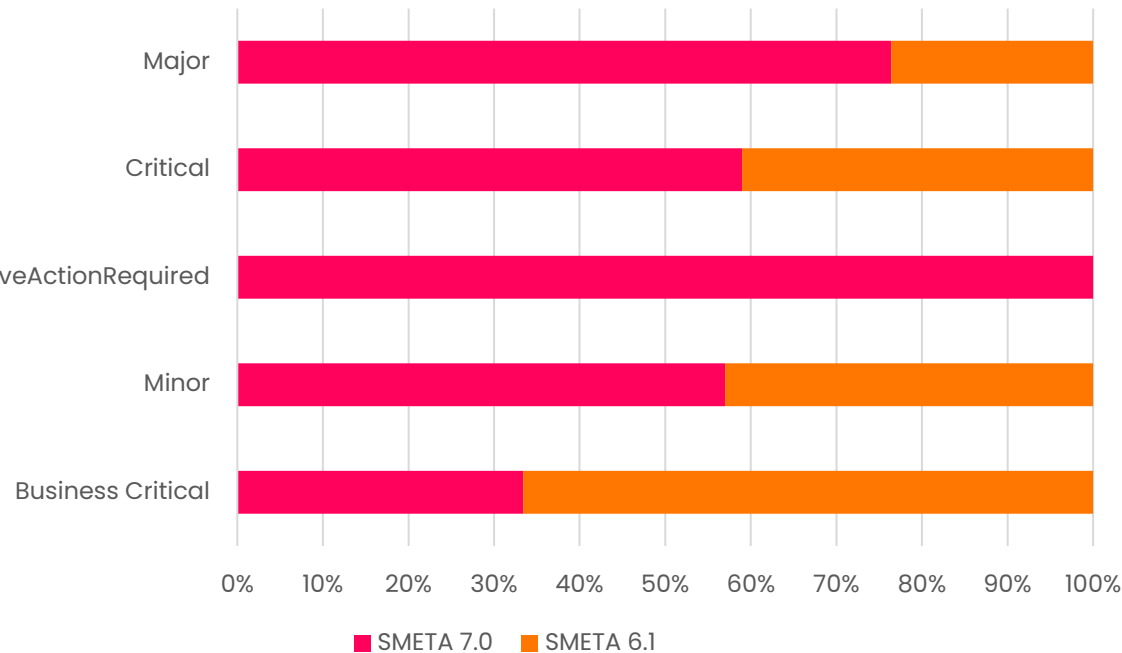
SMETA 7.0 in Numbers

81,263 NCs identified

6.02 average # NCs/ audit v 5.9 for SMETA 6.1



SMETA 7.0 v 6.1 Findings by Criticality



- 0. Enabling accurate assessment
- 1. Employment is freely chosen
- 1.A Responsible recruitment and entitlement to work
- 2. Freedom of association and right to collective bargaining are respected
- 3. Working conditions are safe and hygienic
- 4. Child labour shall not be used
- 5. Legal wages are paid
- 5.A Living wages are paid
- 6. Working hours are not excessive
- 7. No discrimination is practiced
- 8. Regular employment is provided
- 8.A Sub-contracting and Homeworkers are Used Responsibly
- 9. No harsh or inhumane treatment is allowed

Management Systems Assessment (MSA):1

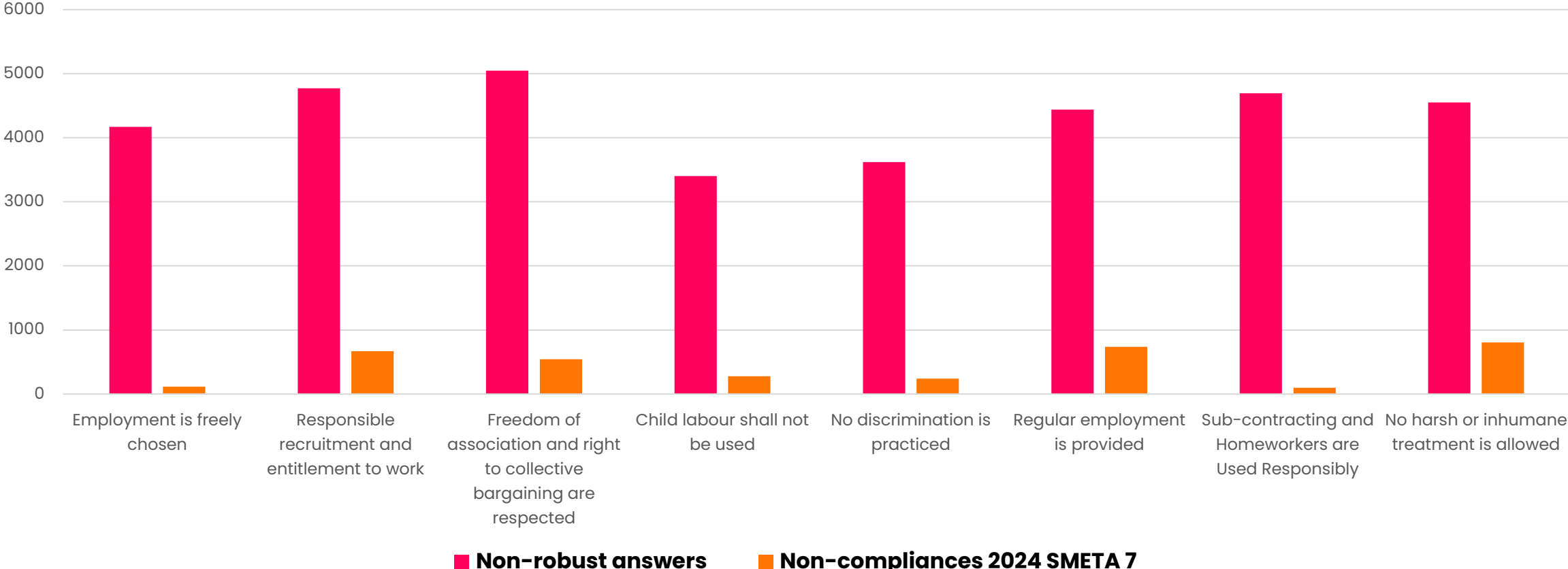
How we prepared auditors before launch:

- ❑ **Auditor Academy, Auditor Manual**
- ❑ 'Train the trainer' sessions with **scheme managers and AAC training leads**
- ❑ **Test scenario submission** and '**alignment sessions**' with scheme managers, training leads and also reviewers

What we have seen since launch:

- ❑ Some excellent engagement with the process, and auditor improvement over time
- ❑ So far has highlighted **84341 instances in which systems could be made more robust**, in comparison to 41979 non-conformances raised during the same period.
- ❑ **However**, common errors include;
 - ❑ Insufficient 'MSA explanation' free-text box
 - ❑ A minority of auditors applying all robust grades **even where a non-compliance** has been found
 - ❑ A (larger) minority **only applying non-robust grades** where a non-compliance is found

MSA – Increasing actionable insights



The MSA provides significantly more useable information to the supplier in relation to traditionally under-reported code areas

Management Systems Assessment (MSA): 1

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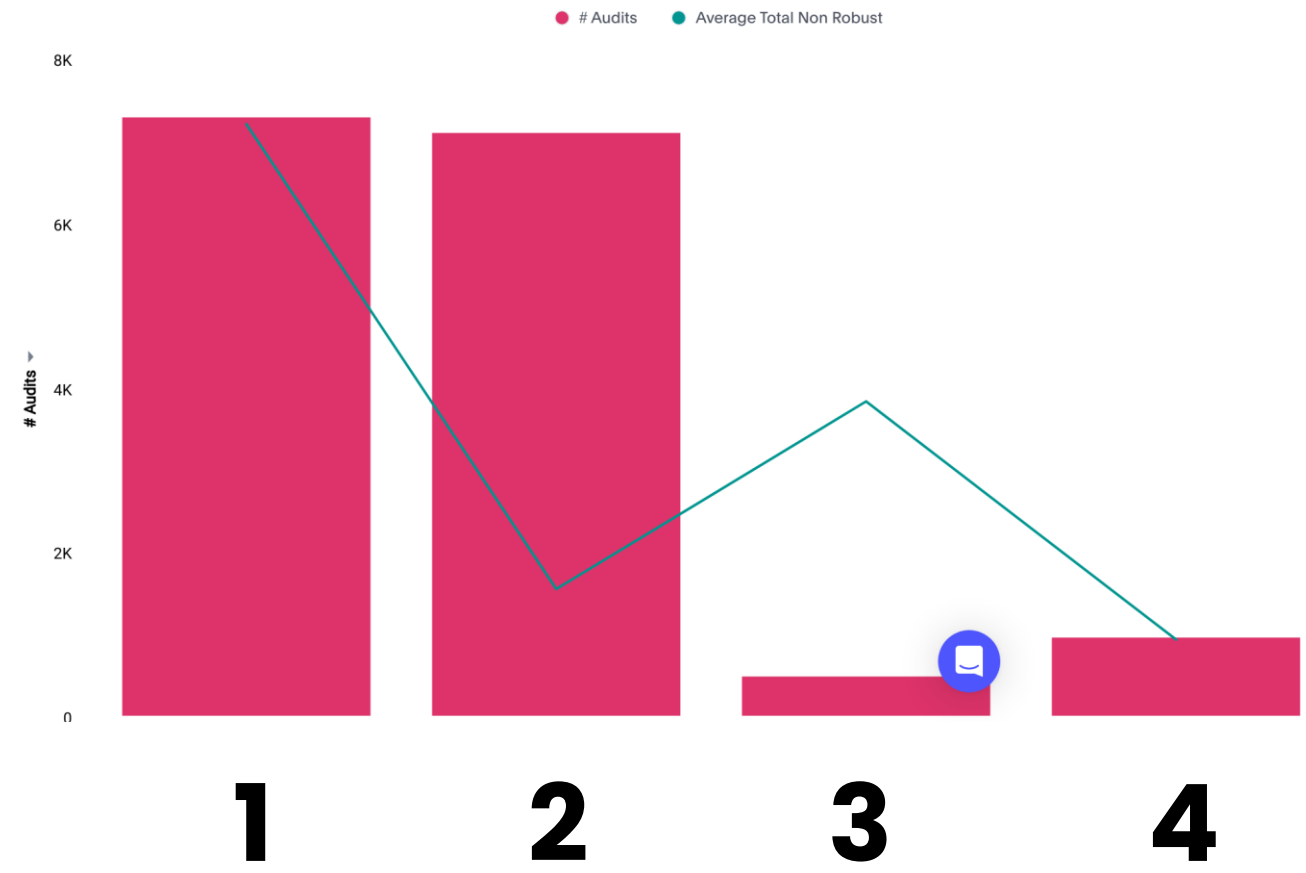
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- ❑ So far has highlighted **84341 instances in which systems could be made more robust**, in comparison to 41979 non-conformances raised during the same period.
- ❑ **However**, some auditors making errors, such as;
 - ❑ Insufficient 'MSA explanation' free-text box
 - ❑ A minority of auditors applying all robust grades **even where a non-compliance** has been found
 - ❑ A (larger) minority **only applying non-robust grades** where a non-compliance is found
- ❑ **How we have addressed these issues post-launch:**
 - ❑ Additional '**expectations**' **alignment session** with the SM and AAC training leads and additional alignment sessions **directly with auditors**.
 - ❑ Ongoing feedback to audit firms via the **Report Quality Review, which includes 4 control points** relating specifically to MSA (now in third full run through and second pilot quarter for SMETA 7)
 - ❑ Development of **KPIs relating to the overuse of robust grades**

MSA KPIs – Relationship with compliance

Audits by Msa Categorisation - with Average Answers



Auditors must identify management systems **fault in any code area with a major non-conformance.**

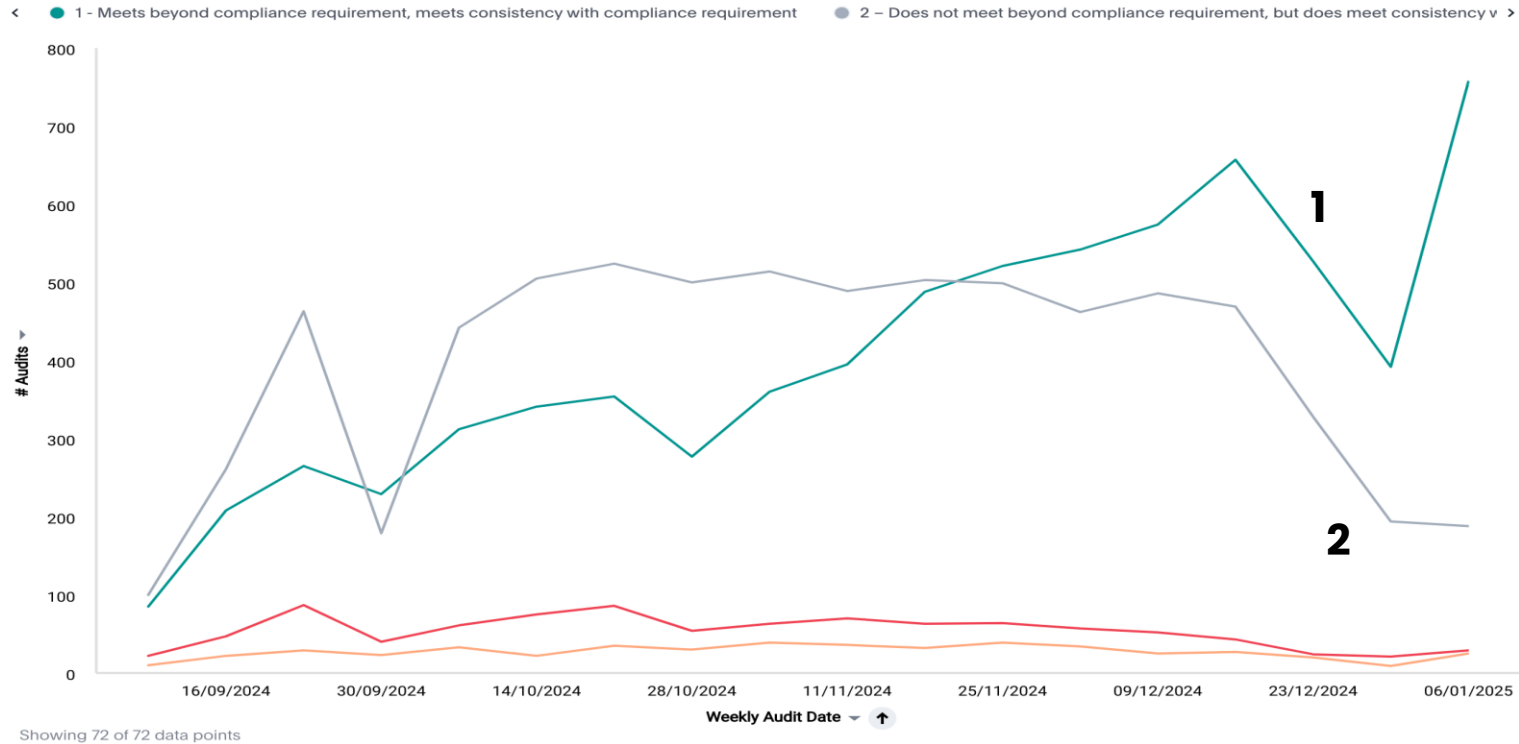
Auditors must also consider whether management systems are sufficient, **beyond identified non-conformance.**

An audit must meet both these requirements to meet Sedex standards ("**Category 1**")

Category 1 has the highest number of average non-robust grades

MSA KPIs – Progress and Expectation Setting

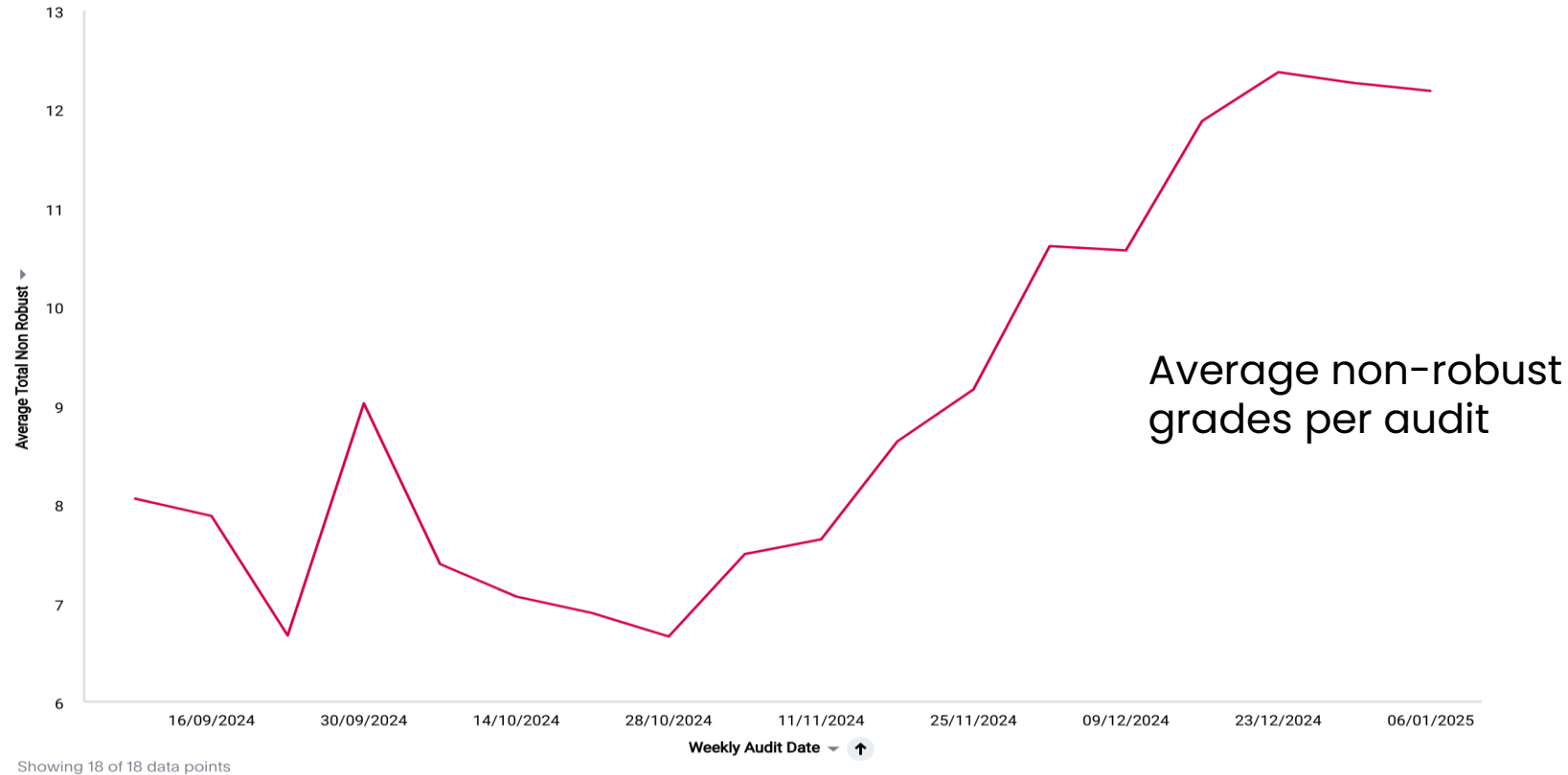
Audits by MSA Categorisation



- Over 3 months we have seen broadly the same numbers of category **1** and **2**
- However, the trend is sharply towards category **1**
- We currently sit at approx. **70%** of audits in category **1**
- The goal is **100%** of audits in category **1**

MSA KPIs – Progress and Expectation Setting

Average Non-Robust Answers



- The shift to category 1 is consistent with a trend towards a higher average of 'non-robust' grades per audit since launch.
- We continue to aim for a higher number of non-robust grades across most audit firms, the data allows us to investigate consistent outliers.

Management Systems Assessment (MSA)

What we are planning to do in the future:

- ❑ Delivering alignment sessions content (originally delivered in train the trainer mode) directly to auditors
- ❑ Development of **diverse library of examples of best practice**
- ❑ **Community building** and sharing opportunities for auditors
- ❑ Sharing **KPIs of individual auditors** with audit firms

Workplace Requirements (WR)

How we prepared auditors before launch:

- The Workplace Requirements **published to all members** and auditors in **November 2023**
- The **digital audit tool** streamlines the selection of issue titles using the WRs
- Every WR has **Interpretation Guidance**, available on our e-learning platform

Workplace Requirements (WR)

What have we seen since launch:

- ❑ WR are improving correct issue title selection according to our Report Quality checks
- ❑ Have been useful in dispute mediation
- ❑ Generally high scores of auditors in Interpretation Guidance self-assessment

SMETA Code Area	Registration
0 - Enabling Accurate Assessments	1583
1 - Employment is freely chosen	1601
1.A. - Responsible recruitment and entitlement to work	1883
2 - Freedom of Association & right to collective bargaining are respected	1484
3 - Working Conditions are Safe and Hygienic	1468
4 - Child labour shall not be used	1481
5 - Legal wages are paid	1548
5.A - Living Wages are Paid	1497
6 - Working hours are not excessive	1535
7 - No Discrimination is practiced	1450
8 - Regular employment is provided	1544
8.A - Sub-contracting and homeworkers are used responsibly	1535
9 - No Harsh or Inhumane Treatment is allowed	1449

- E-learning format allows us to track auditor engagement with the guidance
- Comprehension tracked through in-built comprehension tests (average **74%**)
- The format will allow us to roll out updated versions more easily

Collaborative Action Required (CAR) Process

What have we seen since launch:

- ❑ SMETA 7 audits have a **higher rate of findings** in relation to key CAR areas (living wage and recruitment)
- ❑ This rate **still increasing** as auditors get used to new standard
- ❑ 20% of CARs raised so far have had an **action plan uploaded** by the supplier

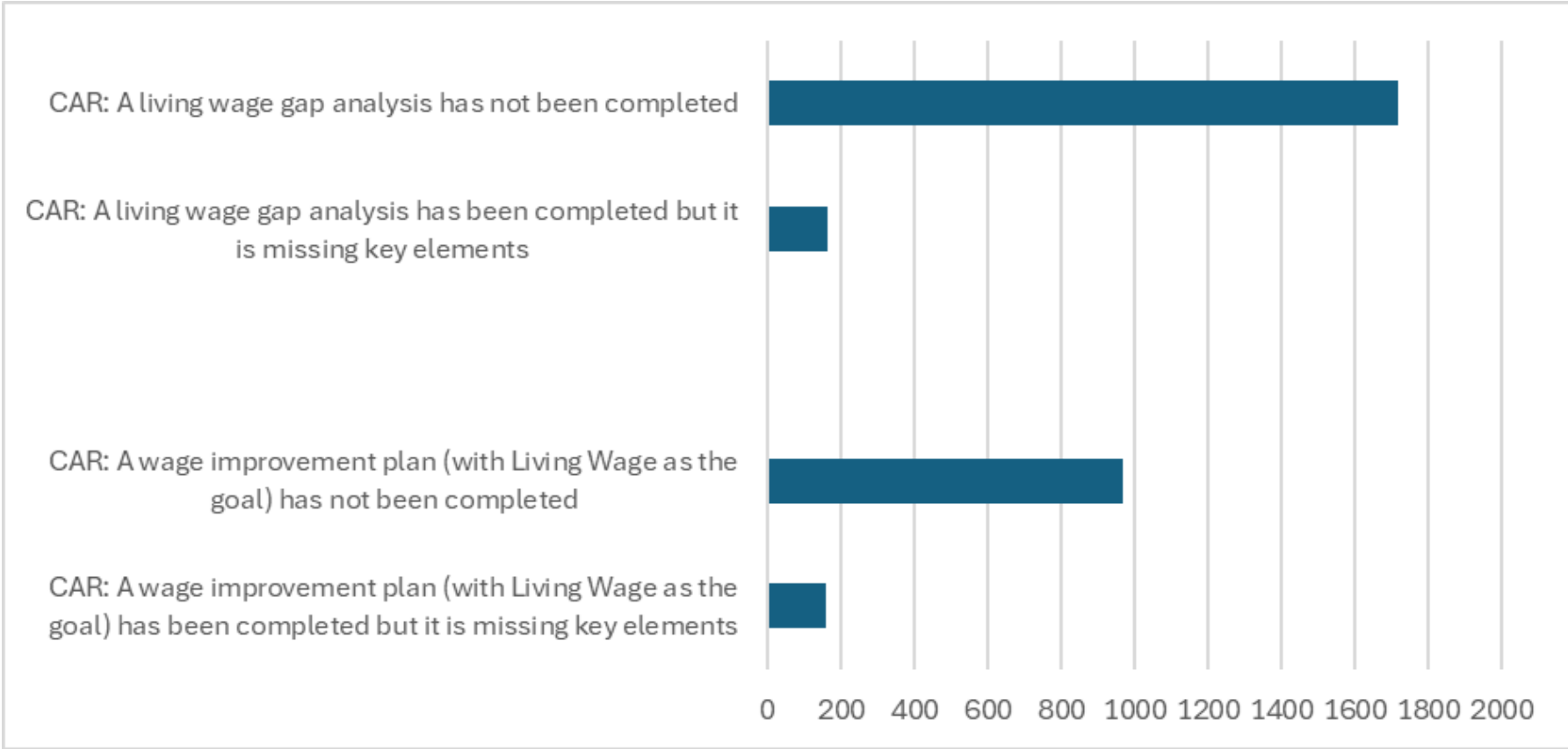
How we have addressed these issues post-launch:

- ❑ **'Expectation setting'** session with AAC Scheme managers to increase CAR findings
- ❑ Live alignment sessions with auditors – **simpler communication of standards** via flowcharts
- ❑ Amendment to Report Quality Review criteria – require **explanation** in 'systems and evidence' where certain CARs are *not* raised

What we are planning to do in the future:

- ❑ Further live sessions with auditors on **auditing key topical** areas
- ❑ Clearer **communication materials for suppliers** on how to deal with CAR findings
- ❑ Ongoing monitoring and **investigation of the utility** and life-cycle of a CAR finding

Living Wage – CAR findings under SMETA 7



Row Labels	Total CARs	% of audits
Turkey	469	52.9%
Bangladesh	395	69.4%
India	259	78.4%
Mexico	258	65.9%
China	222	68.9%
United States	193	66.3%
Vietnam	139	74.1%

Living Wage CARs – understanding the requirement

SMETA is not currently:

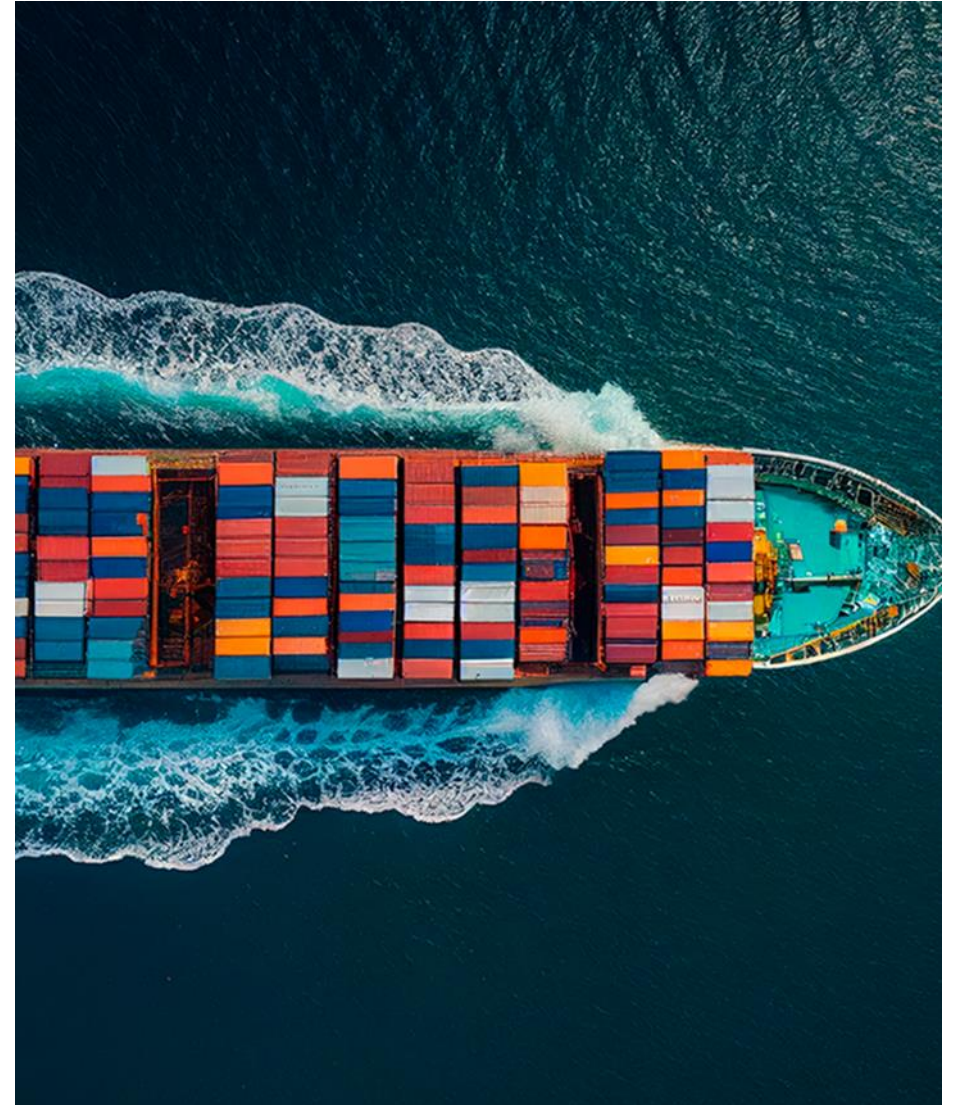
- Undertaking benchmarking
- Enforcing Living Wages are Paid

SMETA is:

- Asking sites to undertake their own benchmarking and create an improvement plan
 - Identify a benchmark
 - If the site is not already meeting the benchmark then undertake a gap analysis
 - Alongside a gap analysis, develop an improvement plan to meet Living Wage. This should cover all workers on the site, include long-term goals, and any dependencies/ blockers to progress that the site has identified. This will meet the requirements.
 - If the site is meeting the benchmark – tell the auditor the chosen benchmark. The auditor may ask to see wage records for non-direct hire workers, young workers or apprentices to check all workers covered. No improvement plan is needed.

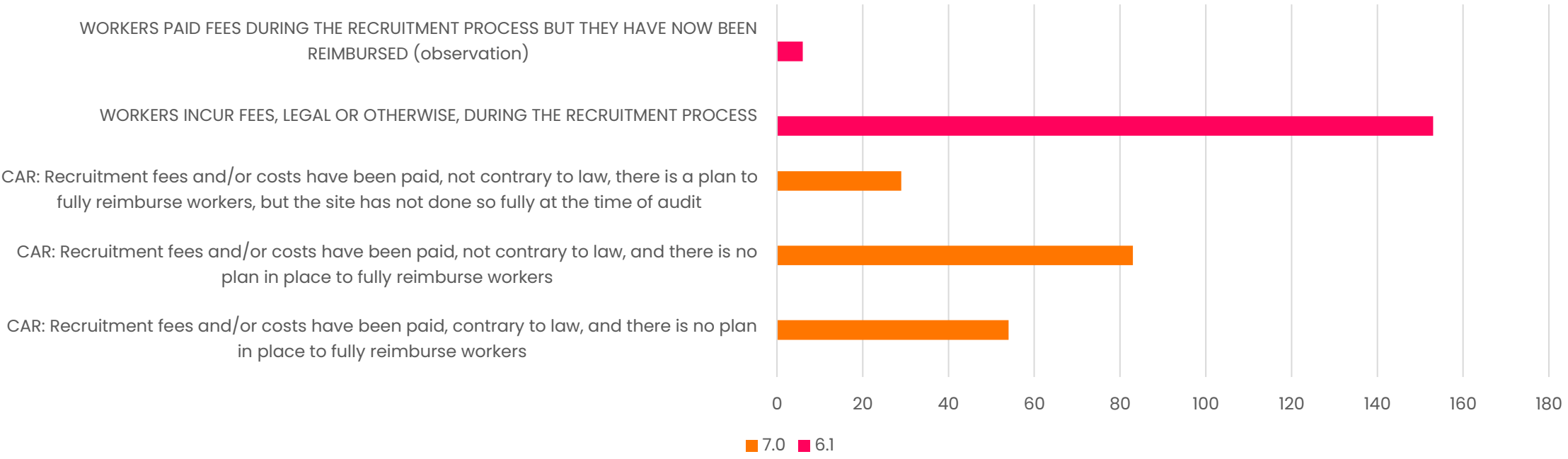
Useful tools and resources

- [IDH Salary Matrix Tool](#) – for calculating a living wage gap
- [WageIndicator](#) – country map of national minimum wage vs living wage
- [Workplace Requirements Guidance 5A](#) – information on what an auditor is checking



Recruitment Fees findings

Recruitment fee findings since SMETA 7 Launch



1A Responsible Recruitment – top findings (7.0)

CAR: Recruitment fees and/or costs have been paid, not contrary to law, and there is no plan in place to fully reimburse workers	79
CAR: Service agreements do not hold labour provider or on-site subcontractor responsible for ensuring no recruitment fees or related costs are incurred or charged to workers, and/or do not specify the responsible party for reimbursing workers accordingly if they incur fees or costs.	71
No due diligence is undertaken to understand the type and value of recruitment fees and related costs of recruitment which workers have paid (legal or otherwise, as defined by the ILO and including travel and visa costs)	58
INADEQUATE PROCESS OR SYSTEM TO MONITOR IF WORKERS HAVE RIGHT TO WORK (E.G. DOES NOT INCLUDE NON-EMPLOYEE WORKERS SUCH AS AGENCY / TEMPORARY WORKERS)	56
CAR: Recruitment fees and/or costs have been paid, contrary to law, and there is no plan in place to fully reimburse workers	55
Site requires labour providers/ on-site subcontractors agencies/recruitment partners to check right to work, but does not have adequate due diligence in place to monitor such checks.	43
No systems in place to verify that any labour providers or on-site subcontractors are following ethical recruitment practices.	42
CAR: Recruitment fees and/or costs have been paid, not contrary to law, there is a plan to fully reimburse workers, but the site has not done so fully at the time of audit	26
Some due diligence is undertaken to understand the type and value of recruitment fees and related costs of recruitment which workers have paid (legal or otherwise, as defined by the ILO and including travel and visa costs), but this is insufficient to meet the SMETA Workplace Requirements of this code section	26

Members Resources

Quick introduction to SMETA 7 (in English, Spanish, and Mandarin)

SMETA Essentials:

https://sedex.sabacloud.com/Saba/Web_spf/EU5PIPRD021/common/ledetail/0000024140

- On average, participants who complete the course answer 82% of the quiz questions correctly!

Deep-dive into the main characteristics in a webinar format (in English and Spanish)

SMETA Training Series:

https://sedex.sabacloud.com/Saba/Web_spf/EU5PIPRD021/common/learningeventdetail/curra000000000004740

- A total of 3,808 participants attended the live SMETA training series. Since uploaded on the e-Learning platform, more than 4,000 members have registered to the course.
- Learn about SMETA 7 by watching our 4 live training sessions and the insightful Q&A.

Understand what is covered in a SMETA audit and the expectations during an on-site audit:

• Sedex Auditor Member Manual (English and Mandarin; Spanish coming soon):

https://sedex.sabacloud.com/Saba/Web_spf/EU5PIPRD021/common/ledetail/0000023600/latestversion

• Sedex Buyer Member Manual (English; Mandarin and Spanish coming soon):

https://sedex.sabacloud.com/Saba/Web_spf/EU5PIPRD021/common/ledetail/0000024081/latestversion

• Sedex Supplier Member Manual (English, Mandarin and Spanish coming soon):

https://sedex.sabacloud.com/Saba/Web_spf/EU5PIPRD021/common/ledetail/0000024082