

## Collaborative Action Required

### What is SMETA?

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

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

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

SMETA audits identify non-compliances, where sites do not meet local law, and non-conformances, where sites do not meet the Base Code. These non-compliances/ non-conformances (NCs) have prescribed timeframes for closure and methodologies for verifying actions taken. Within the latest review of the SMETA audit methodology it was identified that certain requirements within the SMETA audit require a different methodology for closure, and a new type of finding has been introduced for these specific areas, Collaborative Action Required.

### What is a Collaborative Action Required Finding?

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

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

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

Collaborative Action Required findings require a different way of working from other NCs for buyer and supplier members. The activities required to close these issues may involve actions from both buyers and suppliers, as well as additional stakeholders such as third-party labour providers, impacted workers, local NGOs, and trade unions. Due to the complexity of the issues and the spectrum of potential stakeholders that may need to act, CARs may need long-term closure plans, potentially spanning multiple years. To facilitate a longer-term approach and to reduce the likelihood of undue pressure on suppliers to close issues that may be out of their control, Sedex does not prescribe a closure date nor a verification methodology for these findings. Sedex encourages all its members to work collaboratively and responsibly on these issue areas, sharing responsibilities and actions as appropriate.

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

“A company’s salient human rights issues are those human rights that stand out because they are at risk of the most severe negative impact through the company’s activities or business relationships.

This concept of salience uses the lens of risk to people, not the business, as the starting point, while recognising that where risks to people’s human rights are greatest, there is strong convergence with risk to the business” UNGPs Reporting Framework

## **For Suppliers**

Where CARs are raised suppliers should create an action plan for how they are going to address these areas. Sedex also recommends suppliers reach out to their buying partners to understand their expectations on these issues and start a constructive dialogue. The action plans can be uploaded on to the Sedex platform, which will change the status of the CAR finding from “open” to “in progress”. Management and assessment of action plans is encouraged as an activity between linked buyer and supplier members.

## **For Buyers**

Where CARs are raised buyer members should prioritise resolution of these issues based on a salient risk approach. Buyers should assess their own roles and responsibilities in the closure of these findings, especially considering any increased financial costs and how these may relate to the buyers own purchasing practices. Buyers should work with suppliers to ensure that closure plans are realistic, taking a long-term approach to improvement where it is necessary, and working with multi-stakeholder initiatives, NGOs, Trade Unions and other third parties to address these issues, which may be widespread. In the interests of enabling transparency, collaboration and long-term effective remediation, the application of commercial penalty against suppliers where these issues are identified is not encouraged.

## **For Auditors**

Auditors will assess whether the CARs are met through the SMETA audit process and raise the findings where relevant. Auditors will not assess the action plans shared or provide guidance on closure methodology, due to the limitations of assessing scope and responsibilities through a supplier site assessment alone. CAR findings will be superseded and closed in periodic audits. The auditor will assess the Workplace Requirements anew and raise a CAR in following audits until there is no longer a finding to raise.

All stakeholders should take a worker-centric approach, prioritising workers' safety, needs and access to their rights.

## Collaborative Action Required Issue Title List

The Workplace Requirements that lead to CAR findings are determined by Sedex. The list of these Requirements as of 2024 is provided below. Workplace Requirements denote the requirements a site must meet in order to be compliant with SMETA. Issue Titles provide more granular detail as to the nature of the finding and can be used by both buyers and suppliers to help determine where to prioritise action.

**Note: each of the Code Areas below also includes Workplace Requirements which are not CAR findings and lead to the usual corrective action process. A full list of Workplace Requirements is available to Sedex members.**

### Code Area 1A Responsible Recruitment and Entitlement to Work

#### Why CARs?

The ILO determined that “No recruitment fees or related costs should be charged to, or otherwise borne by, workers or jobseekers” and this standard is adhered to within the SMETA methodology.

SMETA recognises that the repayment of recruitment fees is a complex process, and may include multiple stakeholders such as workers, former workers, labour providers, agents, intermediaries, buying companies and suppliers, and so requires a CAR finding in order to ensure a responsible process is followed.

	WORKPLACE REQUIREMENT	ISSUE TITLE
1.A.H	Include provisions within service agreements that hold employment agencies and other recruitment partners contractually responsible to ensure no recruitment fees or related costs are incurred or charged to workers, and specifies the responsible party for reimbursing workers accordingly if they incur fees or costs.	Service agreements do not hold employment agencies or other recruitment partners 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
1.A.H	Include provisions within service agreements that hold employment agencies and other recruitment partners contractually responsible to ensure no recruitment fees or related costs are incurred or charged to workers, and specifies the responsible party for reimbursing workers accordingly if they incur fees or costs.	Service agreements are in place that hold employment agencies or other recruitment partners responsible for ensuring no recruitment fees or related costs are paid, but these are not in line with ILO definitions of recruitment fees and costs

1.A.I	Verify that workers who are found to pay recruitment fees or related costs (legal or otherwise, as defined by the ILO and including travel and visa costs), are fully reimbursed in a timely manner.	Recruitment fees and/or costs have been paid, contrary to law, and there is no plan in place to fully reimburse workers
1.A.I	Verify that workers who are found to pay recruitment fees or related costs (legal or otherwise, as defined by the ILO and including travel and visa costs), are fully reimbursed in a timely manner.	Recruitment fees and/or costs have been paid, not contrary to law, and there is no plan in place to fully reimburse workers
1.A.I	Verify that workers who are found to pay recruitment fees or related costs (legal or otherwise, as defined by the ILO and including travel and visa costs), are fully reimbursed in a timely manner.	Recruitment fees and/or costs have been paid, contrary to law, there is a plan to fully reimburse workers, but the site has not done so fully at the time of audit
1.A.I	Verify that workers who are found to pay recruitment fees or related costs (legal or otherwise, as defined by the ILO and including travel and visa costs), are fully reimbursed in a timely manner.	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

Alongside identification of the findings SMETA also collects additional data points designed to support companies to analyse where the most salient risks in their supply chain are concerning recruitment fees.

Sedex recommends using these data points alongside additional risk considerations, such as the site country location, sector, and the breakdown of the workforce profile, to prioritise actions.

The **additional data points** collected for **Code Area 1A** are:

Labour hire	
Does the site use labour providers, recruitment agencies and/or formal temporary, seasonal or guest worker programmes? (select all that apply)	<p>Workers are recruited, selected and hired directly by our company</p> <p>Workers are recruited and hired by licensed labour providers</p> <p>Workers are recruited and hired by informal labour providers</p> <p>Workers are recruited by a labour provider or recruitment agent and selected and hired by us</p> <p>Workers are hired through formal temporary, seasonal or guest worker programmes</p>

	<p>Other</p> <p>Please explain</p> <p>Please provide business names for all labour providers, recruitment agencies and programmes used:</p>
<p>How do the labour providers recruit and hire workers? (Select all that apply)</p>	<p>Directly</p> <p>Through formal temporary, seasonal or guest worker programmes (please explain)</p> <p>Through another labour provider or recruitment agency (please explain)</p> <p>Through accommodation providers (please explain)</p> <p>I don't know (please explain)</p> <p>Not applicable - Recruitment providers not used</p> <p>Other (please explain)</p> <p>Please explain</p>
<p>Where recruitment agencies identified, what is the highest number of tiers identified in a workers recruitment journey?</p>	
<p>Are there any subcontracted workers (including dispatched labour) on site?</p>	<p>Yes</p> <p>No</p> <p>How many contractors are present and what are the names of the employer(s)?</p>
<p>Were all non-employee (e.g. agency or subcontracted) workers included within the scope of this audit for the purpose of document review and (if onsite on date of audit) interview?</p>	<p>Yes</p> <p>No</p> <p>Not applicable</p>
<p>Were sufficient documents for non-employee (e.g. agency or other subcontracted) workers available for review?</p>	<p>Yes</p> <p>No</p> <p>Not applicable</p>

	Please provide details
<b>Migrant workers</b>	
Do any workers migrate across international borders to work at this site?	Yes No Please list the sending countries: (list)
What percentage of workforce are migrant workers?	
Do any workers migrate from other states, provinces or regions within the country to work at this site?	Yes No Please list the sending states/provinces/regions
<b>Recruitment fees</b>	
Were you able to detect fees and related costs paid by my migrant workers during the recruitment and employment process?	Yes No Not applicable Please explain:

<p>What fees and related costs do migrant workers pay during the recruitment and employment process? (Select all that apply)</p>	<p>Travel and lodging within their country or region</p> <p>Transportation to the country or region (for the job)</p> <p>Transportation home upon completion of contract</p> <p>Transportation home for voluntary early contract termination</p> <p>Medical examination, tests or vaccinations</p> <p>Insurance costs</p> <p>Skills or qualification testing</p> <p>Costs for training and orientation</p> <p>Equipment costs (for tools, uniforms, safety gear etc.)</p> <p>Document processing (e.g. work permit, visa, passport)</p> <p>Job application fee</p> <p>Recruitment fee</p> <p>Interest-charged advances (e.g. for food, housing etc.)</p> <p>Other fee or cost (please explain)</p> <p>Workers do not pay any recruitment costs (please explain)</p> <p>Not applicable</p> <p>No migrant workers</p> <p>Please provide details:</p> <p>If workers do not pay any fees or costs (e.g. travel, visas, work permits, insurance etc), please explain how these costs are met.</p>
<p>What was the highest total combined amount of recruitment fees and related costs paid within the last 12 months by an interviewed worker? (according to ILO definitions)</p>	<p>Highest fee paid</p> <p>Currency:</p> <p>Nationality:</p> <p>Gender: Male/ Female/ Other gender</p> <p>Additional comments:</p>



How many months did (or will) it take workers to repay the recruitment fees and related costs they incurred? (in line with ILO definitions)	
Has the site collected data on the recruitment fees and related costs paid by workers?	Yes No Not applicable  Please provide details

## Code Area 4: Child Labour Shall Not be Used

### Why CARs?

The remediation of child labour requires a CAR finding as an auditor onsite cannot assess whether remediation has been determined based on the best interests and needs of the child. This process needs additional stakeholders and verification through alternative methodologies.

4.G	Where applicable, provide remediation and safeguarding of underage workers (in line with ILO guidance).	Where child labour has been found it has not been remediated in line with ILO guidance or local legal requirements where applicable (e.g. workers dismissed without remediation)
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The **additional data points** collected for **Code Area 4** are:

% of workers that are age 24 or younger	
What is the legal age of employment?	
What is the age of the youngest worker identified?	
Number of workers under local legal minimum age	
Number of workers under 15 years old	
Percentage of workers that are apprentices, trainees or interns	
Were there children present on the work floor but not working at the time of audit?	Yes No  Please provide details
Do children live at the accommodation provided to workers?	Yes No Not applicable

**Code Area 5A: Living Wages are Paid**

Why CARs?

Achieving payment of a real living wage requires multiple stakeholders to input and take action in order to ensure the increased costs are sustainable at site level. In addition, full assessment of living wage is a detailed process, and beyond the capacity of the core SMETA methodology.

5.A.A	Review workers' total pay including benefits and compare it with a credible 'living wage' to calculate a 'living wage gap', and understand what proportion of the workforce has a gap.	A living wage gap analysis has not been completed
5.A.A	Review workers' total pay including benefits and compare it with a credible 'living wage' to calculate a 'living wage gap', and understand what proportion of the workforce has a gap.	A living wage gap analysis has been completed but it is missing key elements
5.A.B	Put in place a wage improvement plan that aims to pay workers a living wage within a stated timeframe.	A wage improvement plan (with Living Wage as the goal) has not been completed

The **additional data points** for **Code Areas 5: Legal Wages are Paid** and **5A: Living Wages are Paid** are:

What is the basic wage paid to workers? (Select all that apply)	<p>The legal minimum wage</p> <p>Wages are defined by a legally recognised collective bargaining agreement (CBA)</p> <p>There is no legal minimum wage, workers are paid the prevailing industry wage</p> <p>Wages are based on job skills and experience</p> <p>Wages meet a living wage</p> <p>Wages are based on 'piece work' (for example, the number of items produced or harvested)</p> <p>Wages are based on a mix of 'piece work' and hourly rate</p> <p>Wages are based on 'piece work' or the legal minimum wage, whichever is higher</p> <p>Other (please explain)</p> <p>Please explain</p>
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<p>Does the site use digital payment methods (i.e. money paid directly into a bank account) to pay workers? [only select one]</p>	<p>Only digital payments            Mix of digital and other payment methods (give details)            Does not use digital payments (give details)</p> <p>Please explain</p>
<p>How much as a percentage of their pay does a worker receive as 'payment-in-kind' benefits? [single option tick box]</p>	<p>None            Between 1 and 10%            Between 10% and 30%            Between 30% and 50%            More than 50%            I don't know</p>
<p><b>Worker remuneration</b></p>	
<p>Which benefits are provided to permanent or full-time workers that are not provided to temporary or part-time workers?</p>	<p>Life insurance            Health care            Disability and invalidity coverage            Parental leave            Retirement provision            Stock ownership            Not applicable            Others (please explain)</p> <p>Please explain</p>
<p><b>Summary Information</b></p>	
<p><b>Criteria</b></p>	
<p>Is legal wage/ legally recognised CBAs data available by which of these options? [please select all that apply]:</p>	<p>day            week            month            None</p>
<p>Is actual wage data available on site available by which of these options? [select all that apply]</p>	<p>day            Week            month</p>

Standard/contracted work hours: (Maximum legal and actual required working hours excluding overtime, please state if possible per day, week, and month)	Day Week Month
Overtime hours: (Maximum legal and actual overtime hours, please state if possible per day, week, and month)	Day Week Month
Wage for standard/contracted hours: (Minimum legal and actual minimum wage at site, please state if possible per hr, day, week, and month)	Hour Day Week Month
Overtime wage: (Minimum legal and actual minimum overtime wage at site, please state if possible per hr, day, week, and month)	Hour Day Week Month
<b>Wage Analysis</b>	
Number of workers' records checked	
Please add details, including details of when the records were recorded	
Are there different legal minimum/ legally recognised CBAs wage grades?	Yes No  please provide details
For the lowest paid workers, are wages paid for standard/contracted hours (excluding overtime) below or above the legal minimum/ legally recognised CBAs?	Below legal minimum Above legal minimum Not Applicable

Please indicate the breakdown of workforce per earnings:	
Are there any bonus schemes used:	Yes No Please provide details:
Were accurate records shown at the first request?	Yes No  Please Explain
Were any inconsistencies found?	Yes No Please provide details

## Code Area 7: No Discrimination is Practiced

### Why CARs?

Developing a sustainable approach to equity takes additional stakeholder input, including expert guidance, in order to ensure systems and processes are adequately improved, and that unintended consequences are avoided.

7.E	Have a dedicated equity approach in recruitment, training, development and promotion processes.	There is no dedicated equity approach regarding recruitment, training, development and promotion processes
7.E	Have a dedicated equity approach in recruitment, training, development and promotion processes.	There is a dedicated equity approach but it is inadequate

The **additional data points** collected for **Code Area 7** are:

Percentage of women workers in skilled or technical roles (e.g. where specific qualifications are needed, such as engineer/laboratory analyst)?	
Representation of women in managerial roles	ratio of women workers to women managers
Representation of women in supervisory roles	ratio of women workers to women supervisors
Three most common nationalities in managerial and supervisory roles	