

## **Ethical Trade Audit - A Guide to the Audit Process**

### **Contents:**

- 1. Why is an audit needed?**
- 2. What is the prelims Code of Conduct?**
- 3. When will the audit take place?**
- 4. What will happen during the audit?**
- 5. What will happen with the information collated during the audit?**
- 6. Pre-Audit Preparation**
- 7. Annex 1: The prelims Code of Conduct**
- 8. Annex 2: List of documents required for the audit**

### Why is an audit needed?

Major Retailers & Brands are increasingly concerned that goods that are supplied to them are manufactured in a way that ensures fair treatment for all the workers involved in their production. One of the ways that companies can get assurance about the performance of their suppliers in this regard is by requesting a 3<sup>rd</sup> party audit to report on processes and the actual situation. In order to evaluate this, the publishers who are members of the **prelims** group have developed a Code of Conduct based on existing standards that you may be aware of such as the ETI Base Code, GSCP Code and SA8000.

### What is the prelims Code of Conduct?

The **prelims** Code of Conduct is based on the conventions of the International Labour Organisation (ILO) and covers issues such as Child Labour, Working Conditions, Pay, Hours & Freedom of Association. Members of **prelims** expect that their suppliers will adhere to national laws on all areas of the Code of Conduct as a minimum, and in some cases expect suppliers to meet a higher standard.

The aim of the audit is to evaluate the current level of conformity of your company with the **prelims** Code of Conduct and the additional requirements included in the Sedex Members Ethical Trade Audit (SMETA) (<http://www.sedex.org.uk>). It is **NOT** a Pass or Fail audit or a certification programme and you will **NOT** be issued with any certificate of compliance by SGS. A copy of the prelims Code of Conduct and the additional SMETA requirements are detailed later in this document & further information on the **prelims Code of Conduct** can also be found at [www.prelims.org](http://www.prelims.org).

### When will the audit take place?

We try to schedule audits at the earliest available date and in line with the requirements of the site to be audited. Audits will be scheduled on a **semi-announced** basis.

#### **Semi-Announced:**

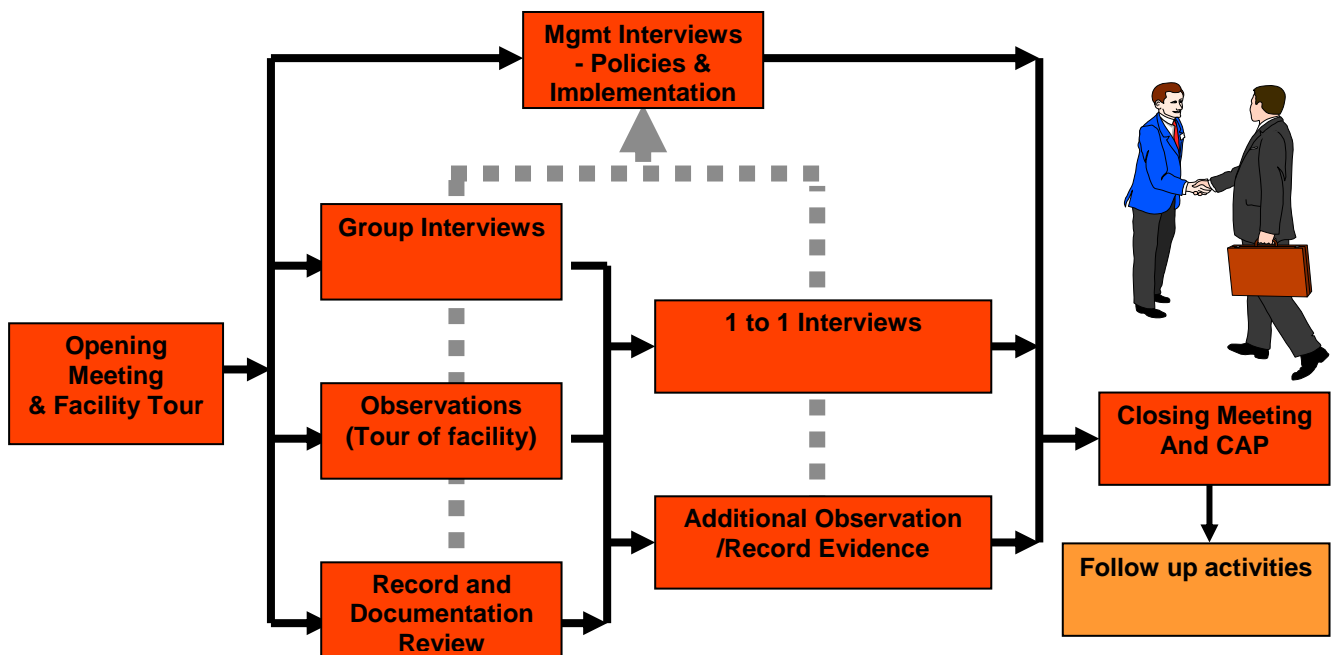
We will agree a four week period with you before the audit. The audit will then take place at any time during this period. For example you will be given an audit window of 1<sup>st</sup> February – 15<sup>th</sup> February and the auditor may arrive on any day within this period.

Before the audit you must tell us if there are any dates when it will NOT be possible to come to the site for any special reason, like that you are closing early, or closed completely for holiday.

### What will happen during the audit?

The audit will cover the following things, which are listed and drawn in the diagram below:

- An opening meeting with the factory management team
- A complete and detailed tour of the factory (including storage, production and accommodation if applicable)
- Interview with managers and people responsible for various functions
- A documentary review of the health and safety records
- A documentary review of personnel files
- Interview with any Union or workers' representatives
- Private interviews with employees (selected by the auditor)
- A closing meeting with the factory management team, (with analysis of the results of the audit)



Where possible we would like you to invite a worker's representative to be present during the opening and closing meetings. This would help us to be certain that the workers know about the audit and are better prepared for the interviews. For this reason, we have also put together an information leaflet for your workers telling them about the audit, which should be placed on appropriate notice boards and be circulated among workers in other appropriate ways.

We would also ask you to note that SGS will choose the workers that we would like to interview and that no attempt should be made by the facility's management to interfere with this process. Both individual & group interviews will be conducted and, whilst at the auditor's discretion, each session will last approximately 20 minutes. Interviewees will be guaranteed confidentiality and will be provided with a way to make confidential complaints in case of any pressure or victimisation following this audit.

A private room will also be necessary for the interviews. This should ideally be in an area where the workers can feel comfortable rather than a manager's office.

During the audit we will be required to review employee personnel files, working hours and payroll information. The review of this information is conducted in line with data protection requirements however should the site wish, the auditor can obtain written permission from the employees concerned to review their information.

We will take photos during the audit as evidence of certain things. If there are specific areas of commercial confidentiality please advise the audit team so that they can discuss with you if there is a reason for photographs in relation to specific points.

### **What will happen with all the information collated during the audit?**

The information gathered during the audit will be treated confidentially and will only be shared with the organisation commissioning the audit and any other parties they in turn give access to the report.

At the end of the audit in the closing meeting the auditor will leave you with a Corrective Action Plan Report (CAPR) which will detail any non-compliances identified during the audit as well as any Observations and Good Practices noted. If you do not understand anything in the CAPR please make sure you ask the audit team to explain it to you properly before they leave your site.

The publisher who asked for the audit will receive the full report within 5 working days of the audit being completed.

### **Please note...**

In the case of non-cooperation or obstruction by the factory management the audit may be aborted. This would include, among other cases, situations where the factory management will not allow access to parts of the factory, dormitory or other areas, interferes with the conduct of confidential interviews with the workers or uses abusive or threatening behaviour towards the auditors that would cause them to feel insecure. In such a case this would be treated as an abortive visit and the payee will be liable for the full audit costs related to this proposal. Where the audit has been requested as part of an ethical trade programme for one of your clients, the circumstances will also be reported to them.

Integrity is core to our business and we would also like to make you aware of the SGS Code of Integrity ([http://www.sgs.com/code\\_english](http://www.sgs.com/code_english)), which lays down the rules of behaviour in our day to day business and must be adhered to by all SGS employees and representatives. As such auditors cannot enter into any exchange or activity which is an attempt, or could be seen as an attempt, to compromise or influence their impartiality.

If you have any questions on this then please contact the SGS office.

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### Pre-Audit Preparation

In order to assist us in preparing for this audit, we need to obtain some preliminary information. Please complete a pre-audit questionnaire that can be downloaded from our website ([www.prelims.org](http://www.prelims.org)) and return to SGS as soon as possible.

Should you have any questions in the meantime please do let SHS know – also below is a brief checklist to help you check on your pre-audit preparation progress:

Have you...	
Completed & returned to SGS the SGS Pre-Audit Questionnaire in advance of the audit	<input type="checkbox"/>
Posted the information leaflet on notice boards (or via union) next to the <b>prelims</b> Code of Conduct to inform employees of the audit	<input type="checkbox"/>
Invited suitable attendees, including a worker representative, to be present for the opening and closing meetings	<input type="checkbox"/>
Reviewed the audit itinerary	<input type="checkbox"/>
Arranged for a suitable room to be made available for the use of the audit team.	<input type="checkbox"/>

**Annex 1: The prelims Code of Conduct and additional SMETA Requirements**

**Management systems and code implementation:**

- Suppliers are expected to implement and maintain systems for delivering compliance to this Code.
- Suppliers shall appoint a senior member of management who shall be responsible for compliance with the Code
- Suppliers are expected to communicate this Code to all employees and to their suppliers
- Suppliers should, where reasonably practicable, extend the principles of this ethical code through their supply chain

**Child Labour:**

- Our suppliers will only employ those who (whichever is higher):
  - Meet the min. legal age for employment or leaving age for compulsory education (whichever is higher out of these two)
  - OR
  - Are 15 years of age or higher
- The only exception to this will be in developing countries listed under ILO Convention 138 where the minimum age may be 14 years
- We expect our suppliers to support the transition of child labourers from work to school
- Our suppliers will only allow hazardous or overnight work to be carried out by those over the age of eighteen. We define 'hazardous' work as being any task that will negatively impact on the health and safety of a young person or that will harm physical, mental or social development

**Health and Safety:**

- Our suppliers will maintain a clean, safe and healthy work place that complies with all local legislation and includes access to toilet and drinking water facilities. Our suppliers will extend the same standards to both on and offsite accommodation provided for their workforce
- Our suppliers will put reasonable measures in place to prevent accidents, injuries, and causes of hazards in a working environment
- Our suppliers will appoint a senior manager to oversee the implementation of health and safety requirements at each facility and will provide relevant health and safety training to all employees

**Discipline:**

- Our suppliers will not tolerate an intimidating workplace or threaten to, or engage in, any form of physical, psychological, sexual, or verbal abuse against employees

**Forced Labour:**

- Our suppliers will not use forced, bonded, indentured, compulsory or involuntary prison labour
- Our suppliers will not require employees to lodge financial deposits or identity documents in order to secure or retain employment

**Discrimination:**

- Our suppliers will, without exception, treat employees, in all circumstances, on the ability to perform their jobs, and not on the basis of any personal characteristics or beliefs of any kind

**Wages:**

- Our suppliers will pay wages in line with local minimum wage laws or local industry benchmarks, whichever is higher
- Our suppliers will also strive to pay wages that meet 'basic' needs, where legal or industry standards do not do so
- Our suppliers will meet local legal requirements for overtime or local industry benchmarks, whichever is higher. Where local law does not stipulate a rate for overtime, our suppliers will pay a premium rate or local industry benchmarks, whichever are higher
- Our suppliers will provide all employees with written terms of payment as well as pay slips covering each pay period
- Our suppliers will provide all employees with mandated benefits as required by local law

**Hours:**

- Our suppliers will comply with local laws on working hours, or local industry benchmarks, or ensure a standard 48 hour working week, whichever affords workers greater protection
- Our suppliers will comply with local laws on overtime, or not allow more than 12 hours of overtime a week on a regular basis, whichever affords workers greater protection
- Our suppliers will provide at least one day off after every 6 consecutive days of work unless local laws stipulate otherwise, in which case suppliers must meet the higher requirement

**Freedom of Association & Collective Bargaining:**

- Our suppliers will not interfere in the right to form or join a trade union and will create an open environment for trade union activities and will not discriminate against trade union members
- Where local law does not allow for free association or collective bargaining, our suppliers will not hinder parallel means of association and bargaining

**Environment:**

- Our suppliers will adhere to all local laws and regulations on environmental protection.

**Annexe 2: List of Documents Required during the Audit**

To ensure that you are prepared for an audit, please make sure that you have the following records onsite all the time and in an easy place to access. Other records may be requested by the auditor.

**Business Documents:**

- Facility floor plan
- Applicable laws and regulations
- Permits, operating licences, certificates of operations, etc.
- Insurance, tax and other required receipts
- Production records
- Photocopies of accurate employee identification that has a photo and a date of birth
- Previous ethical trade audit reports/corrective action logs (if applicable)

**Employee Documents:**

- Labour contracts for all staff
- Photocopies of official employee identification that has a photo and a date of birth
- Employee handbook (terms and conditions of employment)
- Collective Bargaining Agreements (CBA)
- Time records for the past 12 months for all staff including agency/temp labour
- Payroll records for past 12 months for all staff including agency/temp labour
- Piece rate records for the past 12 months (if applicable) for all staff
- Minutes of joint committees on H&S, disciplinary matters and trade union/worker rep.
- Training records

**Health and Safety Documents:**

- A list of all the chemicals and solvents used on this site and MSDS sheets & logs
- Government Inspection reports, e.g, sanitation, fire safety, structural safety, environmental compliance, etc.
- Machinery inspection/service logs
- Accident and injury logs
- Emergency action procedures
- Evacuation plan

**Facility policies:**

- HR policies covering: Disciplinary & grievance, discrimination & harassment, recruitment, training, benefits & allowances, child labour, homeworkers, outworkers, sub-contractors, and wage & hours of work
- Health and Safety
- Environment