Guide to Completing a SMETA Report

Version 5.0 Dec 2014, 2/4 Pillar Audit; replaces version 4.0 May 2012

<table>
<thead>
<tr>
<th>Supplier name:</th>
<th>XXXX Toy manufacturing Co. Ltd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site country:</td>
<td>China</td>
</tr>
<tr>
<td>Site name:</td>
<td>China Toy and Associated Products Co. Ltd.</td>
</tr>
<tr>
<td>Parent Company name (of the site):</td>
<td>XXXX Toy manufacturing Co. Ltd</td>
</tr>
<tr>
<td>SMETA Audit Type:</td>
<td>☐ 2–Pillar ☑ 4–Pillar</td>
</tr>
<tr>
<td>Date of Audit</td>
<td>1 December 2014 (According to new ETI working hours clause)</td>
</tr>
</tbody>
</table>

Audit Content:

(1) A SMETA audit was conducted which included some or all of Labour Standards, Health and Safety, Environment and Business ethics. The SMETA Best Practice Guidance Version 5 December 2015 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
    - Management systems and code implementation,
    - 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 new ETI Working Hours Clause
- Now integrated into this latest SMETA version.

This is a fictitious report designed to show a good reporting standard. It is partly based on information from the Sedex platform and partly based on the SMETA Best Practice Guidance and Measurement Criteria. It uses as an example fictitious information relating mainly to China. The annotations may need adjustment for other countries or to reflect other findings. To ensure guidance is given in all fields, there might be discrepancies between information given in different parts of the report.

Audit Company: 3 Squares Audit company Ltd.  Report reference: XXXXXX  Date: 01/12/14
SMETA Declaration

I declare that the audit underpinning the following report was conducted in accordance with SMETA best practice guidance.

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

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

Lead auditor: Mr AAA
Team auditor: Mr BBB & Miss CCC
Interviewers: Miss CCC

Date: 1st December 2014
## Non–Compliance Table

(please click on the issue title to go direct to the appropriate audit results by clause)

<table>
<thead>
<tr>
<th>Issue</th>
<th>Area of Non–Conformity</th>
<th>Record the number of issues by line*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ETI Base Code</td>
<td>Local Law</td>
</tr>
<tr>
<td>0 Management systems and code implementation</td>
<td>☒</td>
<td>☐</td>
</tr>
<tr>
<td>1 Employment Freely Chosen</td>
<td>☒</td>
<td>☒</td>
</tr>
<tr>
<td>2 Freedom of Association</td>
<td>☒</td>
<td>☒</td>
</tr>
<tr>
<td>3 Safety and Hygienic Conditions</td>
<td>☒</td>
<td>☒</td>
</tr>
<tr>
<td>4 Child Labour</td>
<td>☒</td>
<td>☒</td>
</tr>
<tr>
<td>5 Wages and Benefits</td>
<td>☒</td>
<td>☒</td>
</tr>
<tr>
<td>6 Working Hours</td>
<td>☒</td>
<td>☒</td>
</tr>
<tr>
<td>7 Discrimination</td>
<td>☒</td>
<td>☐</td>
</tr>
<tr>
<td>8 Regular Employment</td>
<td>☒</td>
<td>☐</td>
</tr>
<tr>
<td>8A Sub–Contracting and Homeworking</td>
<td>☒</td>
<td>☒</td>
</tr>
<tr>
<td>9 Harsh or Inhumane Treatment</td>
<td>☐</td>
<td></td>
</tr>
<tr>
<td>10A Entitlement to Work</td>
<td>☒</td>
<td>☐</td>
</tr>
<tr>
<td>10B2 Environment 2–Pillar</td>
<td>☐</td>
<td></td>
</tr>
<tr>
<td>10B4 Environment 4–Pillar</td>
<td>☐</td>
<td>☒</td>
</tr>
<tr>
<td>10C Business Ethics</td>
<td>☐</td>
<td></td>
</tr>
</tbody>
</table>

*Please note the table above records the total number of Non compliances (NC), Observations (Obs) and Good Examples (GE). This gives the reviewer an indication of problem areas but does not detail severities of each issue – Reviewers need to check audit results by clause.

Comment [Sedex11]: Boxes in this part of the NC table should only be ticked if there is an NC. If there are only Observations and Good Examples they need not be ticked. See example in (Harsh of inhumane treatment) below.

These checked boxes relate specifically to the data in this report. The position of crosses will vary depending on findings. Make sure to check correct box, depending on whether non-conformity is against ETI Base Code, Local Law or both.

Comment [Sedex12]: Please detail the number of issues found for each code item (NC’s, Observations and Good Examples).

Comment [Sedex13]: If a 2-pillar audit is conducted, please ignore ‘Environment 4-pillar’

If a 4-pillar audit is conducted, please ignore ‘Environment 2-pillar’.
Summary of Findings

Summary of main findings: (positive and negative)
(Please give a short summary of the main findings per clause)

<table>
<thead>
<tr>
<th>Site Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>- The products manufactured at this site are plastic and soft toys.</td>
</tr>
<tr>
<td>- Overall responsibility for meeting the standards is taken by the factory manager, Mr EEE.</td>
</tr>
<tr>
<td>- There are a total of 650 workers on site (520 are migrant workers and 130 Local workers, all are permanent). Migrant workers are mainly from Sichuan, Yunnan and Guangxi.</td>
</tr>
<tr>
<td>- The youngest worker on site was 16 year old</td>
</tr>
<tr>
<td>- There is no union at this factory.</td>
</tr>
<tr>
<td>- Worker committee was present during the audit; however the factory management said the workers could not be spared for opening and closing meeting. 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.</td>
</tr>
<tr>
<td>- There is evidence of both male and female in management and among supervisor. The distribution was Male 95%, Female 5%.</td>
</tr>
<tr>
<td>- Site has very high production during peak season (Nov-Dec) during which they also have high OT hours for many of their workers.</td>
</tr>
<tr>
<td>- Site uses 3 sub-contractors, and has not informed end clients about this.</td>
</tr>
<tr>
<td>- 42 workers were selected for interview including 18 male and 24 female employees, they were interviewed as 6 groups of 5 some mixed groups and some single sex and the balance of 12 workers were interviewed individually.</td>
</tr>
<tr>
<td>- All workers said they were satisfied with their employment at the factory.</td>
</tr>
<tr>
<td>- They also said they were able to make suggestions to their supervisors and team leaders and sometimes they had seen these suggestions used.</td>
</tr>
<tr>
<td>- 42 Records to show wages and hours were taken for 3 months from the period December 2013 – November 2014</td>
</tr>
<tr>
<td>- Standard hours on site were on average 174 hours/month with 1 day off in every 7–day-period.</td>
</tr>
<tr>
<td>- Legal minimum wage was not paid to all workers, 10 % of worker were paid 1010 RMB/month (5.8 RMB) – legal minimum wage was RMB 1100 per month (6.32 per hour).</td>
</tr>
<tr>
<td>- Correct OT rate was not paid, Workers were paid 150% of minimum wage, not of their standard wage, site did not pay enough overtime wage.</td>
</tr>
<tr>
<td>- Overtime hours in sample was</td>
</tr>
<tr>
<td>o 0–80 hours/month in December 2013 (Peak)</td>
</tr>
<tr>
<td>o 0–36 hours/month in May 2014</td>
</tr>
<tr>
<td>o 0–70 hours/month in November 2014 (Current)</td>
</tr>
</tbody>
</table>

Issues Found

NC's

0.
- Not all workers were aware of the code.
- Due to inconsistencies between time records and production records – The status of minimum wage, overtime wage and working hours could not be fully verified in this audit.

1.
- Some of the workers files contained original documentation
- Based on documents review and interview with employees and management, workers were required to lodge “deposits”. There deposits were not always paid back

2.
- The workers committee exists in theory but does not appear to function.
3. Although the site had a policy of the rights of workers to join a trade union of their choice approximately 50% of workers (recent joiners) were not aware of this policy.

4. Not all workers in hazardous environment used PPE
   - Combustible materials were stored in some stairwells.

5. Young workers were not registered with the local labour bureau and did not have regular health checks.
   - 5 young workers worker in hazardous environment

6. Minimum wage, overtime wages and working hours could not be accurately verified
   - Workers were not being paid correct overtime premiums for those workers earning more than the minimum wage
   - 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

7. Minimum wage, overtime wage and working hours could not be accurately verified
   - Workers did more than 60 hrs per week for two weeks in December 2013 and two weeks in November 2014.
   - There were discrimination practices based on age during hiring process.
   - It was noted that before hiring, a health examination was conducted and for female applicants the report including pregnancy test.
   - Anti-discrimination procedure on hiring, compensation, promotion and access to training is not available during the audit.

8. Not all workers were given contracts when starting employment, it took up to 3 months to get and they had to notify the management of this to get it.

8A. It was noted that 3 subcontractors were used by the facility, they had not informed end client.
   - There is no system in place to manage and monitor the working conditions at the sub-contractors.

10B4 It was noted that the hazardous wastes, including empty painting containers and oily rags, were generated from spray painting and moulding workshop. However, the factory management was unable to provide a hazardous waste disposal contract.

Observation
0. SAQ had not been completed.
   - Site had not communicated the code to their own suppliers/sub-contractors
1. There was no written information on how workers were paid when they did not give appropriate notice. Such an example would be when workers do not return after their annual leave.
2. Minutes of the workers committee meeting are produced but they are not shared with the total workforce.
   - 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.
   - Request from worker committee were being ignored, such as request for gloves in detail painting workshop
   (part of painting workshop in production building 2).
3. Some workstations are untidy creating a slight risk of injury.
4. It was noted that the factory do not keep a separate register of juvenile workers.
5. Document review of payroll and employee wage records showed that only 50% of workers had social insurance deducted and paid for pension, unemployment, maternity and sickness. All workers had deductions made for injury insurance.

7. The production worker competence level scheme and allocation process is complicated, little described and questioned for transparency by workers.

8. A recruitment policy and procedure is to be developed in order to formalise the current practice. At present all recruitment is co-ordinated by the HR department who have committed to develop this.

8A. There is no formal contract with some sub-contractors.

9. Employees in all workshops would be punished to clean up applicable workshop if they violated factory rules and gained a written warning letter.

Records of training attendance were not kept.

Site has an anonymous email address, where workers can report any grievances, however it was not known for 60% of the sampled workers.

10B. It was found that some environmental documentation was missing e.g. environmental policy, excludes waste and chemical management.

10C. Site had not finished the SAQ, however this was under processing.

GE

0. The factory has an internal management system which includes its own internal audits performed by the quality team.

The site had conducted a worker survey in January 2014.

1. The site provides every worker with an employment hand book as soon as they start work.

2. Annual survey of workers satisfaction

After the worker satisfaction survey, in addition to the suggestions box, a confidential e-mail address was established for obtaining the complaints from workers.

3. Site had a medical centre with a weekly visit from a doctor, and a library on the first floor of the dormitory

The accident book was reviewed by the H&S manager, Mr GGG and the H&S committee at each of their monthly meetings and there is a target to reduce the accidents at the factory by 50% in the next 6 months.

The H&S committee members are working to reduce accidents and record hazards in the site.

All chemical used are marked to show their hazard.

5. Factory provides free meals and transportation for workers.

7. There was evidence of both male and female workers in senior manager’s position at the site and head office.

8. Bilingual contracts used for migrant workers

Employee programs – “People Engagement Survey” identifying specific areas for improvement and evaluation of the Team leadership and mgmt. of the company

Workers could freely contact three of the managerial staff with any queries.
### Audit Details

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A:</strong> Report #:</td>
<td>XXXXXX</td>
</tr>
</tbody>
</table>
| **B:** Time in and time out | Day 1 Time in: 09:00  
Day 1 Time out: 17:00  
Day 2 Time in:  
Day 2 Time out:  
Day 3 Time in:  
Day 3 Time out: |
| **C:** Number of Auditor Days Used: | 8 (3 auditors in one day) |
| **D:** Audit type: | Full Initial  
Periodic  
Full Follow-up  
Partial Follow-Up  
Partial Other – Define |
| **E:** Was the audit announced? | Announced  
Semi – announced: Window detail:  3 weeks  
Unannounced |
| **F:** Was the Sedex SAQ available for review? | Yes  
No |
| **G:** If Yes, Any conflicting information SAQ/Pre-Audit Info to Audit findings? | Yes  
No  
If Yes, please capture detail in appropriate audit by clause. |
| **H:** Auditor name(s) and role(s): | Mr AAA (lead auditor), Mr BBB (team auditor)  
Miss CCC (interviewer and team auditor). |
<p>| <strong>I:</strong> Report written by: | Mr AAA |
| <strong>J:</strong> Report reviewed by: | Ms DDD |
| <strong>K:</strong> Report issue date: | 8th December 2014 |
| <strong>L:</strong> Supplier name: | China Toy Products Co. Ltd. |
| <strong>M:</strong> Site name: | China Toy and Associated Products Co. Ltd. |
| <strong>N:</strong> Site country: | China |</p>
<table>
<thead>
<tr>
<th>O: Site contact and job title:</th>
<th>Mr EEE, Factory Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>P: Site address: (Please include full address)</td>
<td>No 1 Road 2, China Industry Zone</td>
</tr>
<tr>
<td>Site phone:</td>
<td>(86) 1234567</td>
</tr>
<tr>
<td>Site fax:</td>
<td>(86) 891011</td>
</tr>
<tr>
<td>Site e–mail:</td>
<td><a href="mailto:Toyandassociatedproductsltd@456.com">Toyandassociatedproductsltd@456.com</a></td>
</tr>
<tr>
<td>Q: Applicable business and other legally required licence numbers: for example, business license no, and liability insurance</td>
<td>Business License number 12345; Valid from 1st January 1995 to 1st January 2015</td>
</tr>
<tr>
<td>The site had applied for a new business licence, which was under processing.</td>
<td></td>
</tr>
<tr>
<td>R: Products/Activities at site, for example, garment manufacture, electricals, toys, grower</td>
<td>Plastic toys and soft toys</td>
</tr>
<tr>
<td>S: Audit results reviewed with site management?</td>
<td>Yes</td>
</tr>
<tr>
<td>T: Who signed and agreed CAPR (Name and job title)</td>
<td>Mr EEE - Factory Manager</td>
</tr>
<tr>
<td>U: Did the person who signed the CAPR have authority to implement changes?</td>
<td>Yes</td>
</tr>
<tr>
<td>V: Present at closing meeting (Please state name and position, including any workers/union reps/worker reps):</td>
<td>Mr EEE – Factory Manager</td>
</tr>
<tr>
<td>Mr FFF – HR Manager</td>
<td></td>
</tr>
<tr>
<td>Mr GGG – H&amp;S Manager</td>
<td></td>
</tr>
<tr>
<td>Mr HHH – Quality Manager</td>
<td></td>
</tr>
<tr>
<td>Mr AAA (lead auditor), Mr BBB (team auditor), Miss CCC (interviewer and team auditor).</td>
<td></td>
</tr>
<tr>
<td>W: What form of worker representation / union is there on site?</td>
<td></td>
</tr>
<tr>
<td>Box Union (name)</td>
<td></td>
</tr>
<tr>
<td>Box Worker Committee</td>
<td></td>
</tr>
<tr>
<td>Box Other (specify)</td>
<td></td>
</tr>
<tr>
<td>Box None</td>
<td></td>
</tr>
<tr>
<td>X: Are any workers covered by Collective Bargaining Agreement (CBA)</td>
<td></td>
</tr>
<tr>
<td>Box Yes</td>
<td></td>
</tr>
<tr>
<td>Box No</td>
<td></td>
</tr>
<tr>
<td>Y: Previous audit date:</td>
<td>N/A</td>
</tr>
<tr>
<td>Z: Previous audit type:</td>
<td>SMETA 2–pillar</td>
</tr>
<tr>
<td>Full Initial</td>
<td></td>
</tr>
<tr>
<td>Periodic</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>---</td>
</tr>
<tr>
<td>Full Follow-Up Audit</td>
<td>☐</td>
</tr>
<tr>
<td>Partial Follow-Up</td>
<td>☐</td>
</tr>
<tr>
<td>Partial Other*</td>
<td>☐</td>
</tr>
</tbody>
</table>

*If other, please define:
### Audit Scope/Actual Results

#### Criteria

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Local Law (Please state legal requirement)</th>
<th>Actual at the Site (Record site results against the law)</th>
<th>Is this part of a Collective Bargaining Agreement?</th>
</tr>
</thead>
<tbody>
<tr>
<td>A: Standard/Contracted work hours: (Maximum legal and actual required working hours excluding overtime, please state if possible per day, week and month)</td>
<td>Legal maximum: 8 hours per day, 40 hours per week, 174 hours per month</td>
<td>174 hours/month</td>
<td>☑ Yes ☒ No</td>
</tr>
<tr>
<td>B: Legal Overtime hours: (Maximum legal and actual overtime hours, please state if possible per day, week and month)</td>
<td>Legal maximum: 3 hours per day and 36 hours per month</td>
<td>0–80 hours/month in December 2013 (Peak) 0–36 hours/month in May 2014 0–70 hours/month in November 2014 (Current)</td>
<td>☑ Yes ☒ No</td>
</tr>
<tr>
<td>C: Legal age of employment: (Minimum legal and actual minimum age at site)</td>
<td>Legal minimum: 16 years</td>
<td>16 years</td>
<td></td>
</tr>
<tr>
<td>D: Legal minimum wage for standard/contracted hours: (Minimum legal and actual minimum wage at site, please state if possible per hr, day, week and month)</td>
<td>Legal minimum: RMB 1100 per month (effective from 1st March 2012)</td>
<td>RMB 1100 per month (6.32 per hour) For some workers though, minimum wage was not met, they were paid RMB 5.8 per hour (1010 RMB/Month)</td>
<td>☑ Yes ☒ No</td>
</tr>
<tr>
<td>E: Legal minimum overtime wage: (Minimum legal and actual minimum overtime wage at site, please state if possible per hr, day, week and month)</td>
<td>Legal minimum: 150% of normal wage rate for weekday overtime, 200% of normal wage rate for weekend overtime and 300% of normal wage rate for statutory holiday overtime.</td>
<td>Workers were paid 150% of minimum wage, not of their standard wage, site did not pay enough overtime wage.</td>
<td>☑ Yes ☒ No</td>
</tr>
</tbody>
</table>

#### Audit Scope

(Please select the code and additional requirements that were audited against during this audit)

- 2–Pillar Audit
- 10B4: Environment 4–Pillar
- 10C: Business Ethics

All groups of workers are included in the scope of this audit such as; Direct employees, Casual and agency workers, Workers employed by service providers such as security and catering staff as well as workers supplied by other contractors.

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Comment [Sedex30]: "Standard work week" refers to hours which are paid at normal rate without any overtime premium. These hours do not include overtime.

Comment [Sedex31]: Please check all boxes which were included in the scope. They should all be checked for a 4-Pillar audit.
Note: The main 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 Overview

<table>
<thead>
<tr>
<th>Audit Overview</th>
<th>Management</th>
<th>Worker Representatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit attendance</td>
<td>Senior management</td>
<td>Worker Committee representatives</td>
</tr>
<tr>
<td>A: Present at the opening meeting?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>B: Present at the audit?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>C: Present at the closing meeting?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>D: If Worker Representatives were not present please explain reasons why (only complete if no worker reps present)</td>
<td>Worker committee were present during the audit, however the factory management said the workers could not be spared for opening and closing meeting. 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.</td>
<td></td>
</tr>
<tr>
<td>E: If Union Representatives were not present please explain reasons why: (only complete if no union reps present)</td>
<td>There is no union at this factory</td>
<td></td>
</tr>
</tbody>
</table>

### F: Site description:
(Include size, location and age of site. Also include structure and number of buildings)

China Toy and associated products Co. Ltd. is located in No 1 Road 2, China Industry Zone. The total land area occupied was approx. 45000 sq. meters. The facility has operated in the existing location since January 1995.

A total of 650 employees are currently working in the facility, which includes 610 production employees and 40 non-production employees. The proportion of local employees to migrant employees is 2 to 8. Migrant employees mostly come from other provinces in China, such as Sichuan etc. All employees are hired by the facility directly.

The employees work for 5 days a week in one shift. The normal working hour is from 8:00 to 18:00 with 2 hours for lunchtime from 12:00 to 14:00. Employees’ wages are calculated on hourly basis and paid on or before 10th of each month. The peak season in this facility is in November-December.

With regards to facilities, there are 2x four-storey and 1x one-storey building for production and a separate warehouse. There is 1x three-storey dormitory building occupied by approx. 400 workers and segregated by gender on different floors.

For details, see below.
## Production Building no 1 – Soft toys

<table>
<thead>
<tr>
<th>Floor</th>
<th>Description</th>
<th>Remark, if any</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floor 1</td>
<td>Cutting workshop, Embroidering workshop</td>
<td>Year of establishment: 1995</td>
</tr>
<tr>
<td>Floor 2</td>
<td>Sewing workshop</td>
<td>Year of establishment: 1995</td>
</tr>
<tr>
<td>Floor 3</td>
<td>Assembly workshop, Ironing workshop</td>
<td>Year of establishment: 1995</td>
</tr>
<tr>
<td>Floor 4</td>
<td>Inspection workshop, Packing workshop</td>
<td>Year of establishment: 1995</td>
</tr>
</tbody>
</table>

| Is this a shared building? | No |

## Production Building no 2 – Plastic toys

<table>
<thead>
<tr>
<th>Floor</th>
<th>Description</th>
<th>Remark, if any</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floor 1</td>
<td>Raw material warehouse, Accessory material warehouse</td>
<td>Year of establishment: 1995</td>
</tr>
<tr>
<td>Floor 2</td>
<td>Packing workshop</td>
<td>Year of establishment: 1995</td>
</tr>
<tr>
<td>Floor 3</td>
<td>Moulding workshop</td>
<td>Year of establishment: 1995</td>
</tr>
<tr>
<td>Floor 4</td>
<td>Painting workshop</td>
<td>Year of establishment: 1995</td>
</tr>
</tbody>
</table>

| Is this a shared building? | No |

## Production Building no 3

<table>
<thead>
<tr>
<th>Floor</th>
<th>Description</th>
<th>Remark, if any</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floor 1</td>
<td>Office</td>
<td>Year of establishment: 1995</td>
</tr>
</tbody>
</table>

## Warehouse

<table>
<thead>
<tr>
<th>Floor</th>
<th>Description</th>
<th>Remark, if any</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floor 1</td>
<td>Warehouse for finished products and raw material</td>
<td>Year of establishment: 1995</td>
</tr>
</tbody>
</table>

## Dormitory

<table>
<thead>
<tr>
<th>Floor</th>
<th>Description</th>
<th>Remark, if any</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floor 1</td>
<td>Kitchen and canteen</td>
<td>Year of establishment: 1995</td>
</tr>
<tr>
<td>Floor 2</td>
<td>Female Dormitory</td>
<td>Year of establishment: 1995</td>
</tr>
<tr>
<td>Floor 3</td>
<td>Male Dormitory</td>
<td>Year of establishment: 1995</td>
</tr>
</tbody>
</table>
G: Site function:
- Agent
- Factory Processing/Manufacturer
- Finished Product Supplier
- Grower
- Homeworker
- Labour Provider
- Pack House
- Primary Producer
- Service Provider
- Sub-Contractor

H: Month(s) of peak season:
November - December

I: Process overview:
(Include products being produced, main operations, number of production lines, main equipment used)

The products manufactured in this unit are plastic and soft toys.

For plastic toys: The main production processes include injection moulding, rotational moulding, spray painting, tempo printing, assembly, inspection and packing. There are three lines each in

For soft toys: The main production processes include cutting, sewing, embroidery, stuffing, assembly, inspection and packing.

For both products, there were three production lines, and main equipment was

For plastic toys: 4 injection machines and 8 high frequency heating machines.

For soft toys: 20 cutting machines, 100 sewing machines.

J: Attitude of workers:
(Include their attitude to management, workplace and the interview process. Both positive and negative information should be included) Note: Do not document any information that could put workers at risk

42 workers were selected for interview including 18 male and 24 female employees, they were interviewed as 6 groups of 5 some mixed groups and some single sex and the balance of 12 workers were interviewed individually.

The workers were assured of confidentiality and they spoke freely of their views of the factory. All workers said they were satisfied with their employment at the factory.

All workers said they were satisfied with their employment at the factory and that they were satisfied with the current wages which in their view were in line with wages in the locality. They felt free to leave this employer and understood the notice period required. They had good relationships with their supervisors and managers who treated them with respect.

They were able to make suggestions to their supervisors and team leaders and sometimes they had seen these suggestions used. They felt able to complain directly to their supervisors but also felt free to give their general concerns, such as food quality to their worker representative who would take it to the worker management committee.

K: Attitude of workers committee/union reps:
(Include their attitude to management, workplace and the interview process. Both positive and negative information should be included) Note: Do not document any information that could put workers at risk

Interviews with the workers committee members suggested that managers did not always act on requests. As an example, there had been requests for the management to provide gloves to workers using glues and this so far had not been done. Otherwise the worker committee reps were happy with the working conditions, and they stated that they could give suggestions on all parts of the site’s practices.
L: Attitude of managers:
(Include attitude to audit, and audit process. Both positive and negative information should be included)

The factory management had a system in place to check their current practices against their clients’ requirements and the local law, and they took notice of the findings of the internal audit team and had recently implemented a Health & Safety committee to take care of health and safety concerns. Not all parts of the code were implemented; please see relevant section of report.

Managers responsible for implementing legal and code standards included the HR Manager – Mr FFF and the H&S Manager – Mr GGG, whilst the Quality Manager – Mr HHH was in charge of the independent and internal audits. The managers were open with the auditors on the high level of hours worked and pointed out that their customers often required unrealistic delivery times which required high hours in peak season. They also were open concerning the below minimum wage payment for cleaners and unskilled new workers, but appreciated the need to change this to at least minimum wage for standard hours for all workers.

They stated that the overtime premiums, although below the legal requirement allowed them to pay incentive bonus to the best workers, but they did appreciate that this did not meet the client requirement or the law and promised to discuss this internally to re adjust their wage rates to come in line with the law.

Comment [Sedex37]: If there are clear double books or elements of the audit that were ‘access denied’, auditor should not write that the site was very cooperative.
### Key Information

**A:** Do all workers (including migrant workers) have contracts of employment/employment agreements?  
(Refer to clause 8 – Regular Employment)
- Yes  
- No  
  
  Please see detail in NC 1 of Clause 8

**B:** Are maximum standard/contracted working hours clearly defined in contract/employment agreements?  
(Refer to clause 8 – Regular Employment)
- Yes  
- No  

**C:** Were appropriate records available to verify hours of work and wages?  
(Refer to clause 5 – Living Wage)
- Yes  
- No

**D:** Were any inconsistencies found?  
(Refer to Wages Table)
- Yes  
  - Poor record keeping  
  - Isolated incident  
  - Repeated occurrence  
- No

**E:** For the lowest paid production workers, are wages paid for standard/contracted hours (excluding overtime) below or above the legal minimum?  
(Refer to clause 5 – Living Wage)
- Wages found:
  - Below legal min  
  - Meet  
  - Above
  
  Please indicate the breakdown of workforce according to earnings:
  - 10% of workforce earning under min wage  
  - 90% of workforce earning min wage  
  - % of workforce earning above min wage

**F:** % of piece rate workers:  
(Refer to Working Hours Analysis)
- No piece rate workers on this site, however, subcontracted sites use piece rate.

**G:** Do the standard/contracted hours stated in a contract/employment agreement exceed the law or 48 hours per week?  
(Refer to clause 6 – Working hours)
- Yes  
- No

**H:** If yes, what are the standard/contracted hours per week as stated in the contract/employment agreement?  
(Refer to clause 6 – Working hours)
- Hrs/week
- Approx. % of ALL workers on these contracted hours

**I:** Combined hours (standard/contracted plus overtime = total hours) over 60 per week found?  
(Refer to Working Hours Analysis)
- Yes  
- No

**J:** Are workers provided with 1 day off in every 7-day-period, or 2 in 14-day-period (where the law allows)?  
- 1 day off in every 7-day-period  
- 2 in 14-day-period
<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
<th>N/A – there is no legal requirement to OT premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>K: Are the correct legal overtime premiums paid?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Go to Wages Table)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L: Please state what actual OT is paid.</td>
<td></td>
<td></td>
<td>Please give details of overtime premium as a % of standard wages:</td>
</tr>
<tr>
<td>(As a percentage of the workers standard rate)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Go to Working Hours Analysis)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M: Is there any night production work at the site?</td>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>N: % of workers living in site provided accommodation (if applicable):</td>
<td></td>
<td></td>
<td>60%</td>
</tr>
<tr>
<td>O: Age of youngest worker found:</td>
<td></td>
<td></td>
<td>16 years</td>
</tr>
<tr>
<td>(Go to clause 4 – Child labour)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P: Workers under 18 subject to hazardous work assignments?</td>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>(Go to clause 3 – Health and Safety)</td>
<td></td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>(Child labour?)</td>
<td></td>
<td></td>
<td>Hazardous work without proper PPE. Please see NC in clause 3 and 4.</td>
</tr>
<tr>
<td>% of under 18’s at this site (of total workers)</td>
<td></td>
<td></td>
<td>Approx. 3 % (20 workers)</td>
</tr>
<tr>
<td>Q: What form of worker representation/union is there on site?</td>
<td></td>
<td></td>
<td>Union (name)</td>
</tr>
<tr>
<td>(Go to clause 2 – Freedom of Association)</td>
<td></td>
<td></td>
<td>Worker Committee</td>
</tr>
<tr>
<td>(Go to clause 2 – Freedom of Association)</td>
<td></td>
<td></td>
<td>Other (specify)</td>
</tr>
<tr>
<td>(Go to clause 2 – Freedom of Association)</td>
<td></td>
<td></td>
<td>None</td>
</tr>
<tr>
<td>R: Is it a legal requirement to have a union?</td>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>(Go to clause 2 – Freedom of Association)</td>
<td></td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>S: Is It a legal requirement to have a workers committee?</td>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>(Go to clause 2 – Freedom of Association)</td>
<td></td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>T: Is there any other form of effective worker/management communication channel?</td>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>(Go to clause 2 – Freedom of Association)</td>
<td></td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>(Other than union/worker committee)</td>
<td></td>
<td></td>
<td>Describe: Worker committee</td>
</tr>
<tr>
<td>(Other than union/worker committee)</td>
<td></td>
<td></td>
<td>Suggestion box and confidential email, but not effective (see Freedom of Association – observation)</td>
</tr>
<tr>
<td>U: Are there any External Processes?</td>
<td></td>
<td></td>
<td>Sub–Contracting</td>
</tr>
<tr>
<td>(Go to clause 8A – Sub–contracting and Home working)</td>
<td></td>
<td></td>
<td>Homeworking</td>
</tr>
<tr>
<td>(Other than union/worker committee)</td>
<td></td>
<td></td>
<td>Other External Process</td>
</tr>
<tr>
<td>(Other External Process)</td>
<td></td>
<td></td>
<td>No external processes</td>
</tr>
</tbody>
</table>

Comment [Sedex42]: Multi-select is possible. If different OT rates are used please give details.

Comment [Sedex43]: If there are any workers that do night shifts, please indicate if any were interviewed and also check things like first aiders and fire drills apply to them.
### Management Systems

<table>
<thead>
<tr>
<th>Management Systems:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A: Nationality of Management</strong></td>
</tr>
<tr>
<td>Chinese</td>
</tr>
<tr>
<td><strong>B: Gender breakdown of Management + Supervisors (Include as one combined group)</strong></td>
</tr>
<tr>
<td>Male: <em>95</em>__%</td>
</tr>
<tr>
<td>Female <em>5</em>__%</td>
</tr>
<tr>
<td><strong>C: Majority nationality of workers</strong></td>
</tr>
<tr>
<td>Chinese</td>
</tr>
<tr>
<td><strong>D: Number of workers leaving in last 12 months as a % of average total number of workers on site over the year (annual worker turnover)</strong></td>
</tr>
<tr>
<td><em>15</em>__%</td>
</tr>
<tr>
<td><strong>E: Were accurate records shown at the first request?</strong></td>
</tr>
<tr>
<td>☑ Yes</td>
</tr>
<tr>
<td>☒ No</td>
</tr>
<tr>
<td><strong>F: If No, why not?</strong></td>
</tr>
<tr>
<td>Inconsistencies were found between records; please see Clause 0, 5 &amp; 6.</td>
</tr>
<tr>
<td><strong>G: In the last 12 months, has the site been subject to any fines/prosecutions for non–compliance to any regulations?</strong></td>
</tr>
<tr>
<td>☑ Yes</td>
</tr>
<tr>
<td>☒ No</td>
</tr>
<tr>
<td>Please describe:</td>
</tr>
<tr>
<td><strong>H: Do policies and/or procedures exist that reduce the risk of forced labour, child labour, discrimination, harassment &amp; abuse?</strong></td>
</tr>
<tr>
<td>☑ Yes</td>
</tr>
<tr>
<td>☒ No</td>
</tr>
<tr>
<td>No policies for Child Labour, Recruitment, Discrimination and Sub-contracting</td>
</tr>
<tr>
<td><strong>I: If Yes, is there evidence (an indication) of effective implementation? Please give details.</strong></td>
</tr>
<tr>
<td>Policies exist for some of these areas (Forced labour, Health and Safety, Living Wage, Working Hours, No harsh treatment, Environment and Business Ethics); these are communicated to workers via poster and annual training.</td>
</tr>
<tr>
<td>Through documents review and workers interview, policy on No harsh treatment and Environment was not fully in compliance with the code.</td>
</tr>
<tr>
<td>Workers stated no forced labour, no child labour was found (through interview and document checks), there were both female and male among management/supervisors.</td>
</tr>
<tr>
<td><strong>J: Have managers and workers received training in the standards for forced labour, child labour, discrimination, harassment &amp; abuse?</strong></td>
</tr>
<tr>
<td>☑ Yes</td>
</tr>
<tr>
<td>☒ No</td>
</tr>
<tr>
<td>Please describe: Standards on ‘Forced labour’ and ‘No harsh treatment’ were communicated to workers though posters and annual training, currently no training on child labour and discrimination.</td>
</tr>
</tbody>
</table>

---

Audit Company: 3 Squares Audit company Ltd.  Report reference: XXXXXX  Date: 01/12/14
### K: If Yes, is there evidence (an indication) that training has been effective e.g. training records etc.? Please give details

<table>
<thead>
<tr>
<th>Training records:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Annual training for all employees, last conducted 4th April 2014.</td>
</tr>
<tr>
<td>- Introductory training record for new employees, however, this has not been conducted since June, some workers who started after June have not received training and were not aware of the code. Confirmed via management and worker interview</td>
</tr>
</tbody>
</table>

### L: Are there published, anonymous and/or open channels available for reporting any violations of Labour standards and H&S or any other grievances to a 3rd party?

| Yes |
| No |
| Please describe: |
| Yes |
| No |
| There is suggestion box, and an internal confidential email address for reporting grievances. |

### M: If Yes, are workers aware of these channels? Please give details.

| Not all workers are aware of these processes, suggestion box is known by 85% of workers and confidential email which is known by 40% of the workforce, please see clause 2 and 9. |

### N: Have health and safety risks been identified e.g. through internal audits, formal risk analysis process, worker involvement etc.?

| Yes |
| No |
| Please describe: |
| Yes |
| No |
| Yes through H&S committee and internal audit team, there were however some non-compliances in H&S; see clause 3. |

### O: If Yes, has effective action been taken to reduce or eliminate these risks?

| For some of the risks, action has been taken, such as training for machine operators, posters on good H&S practices per workshop. There are still some risk areas that have not had any action, please see clause 3. |

### P: Are accidents recorded?

| Yes |
| No |
| Please describe: |
| Management keeps a record of any accidents (H&R manager - Mr FFF) |

### Q: Has the auditor made a simple calculation to compare capacity with workers’ work load in order to identify possible unrecorded work hours?

| Yes |
| No |
| Please describe: |
| Site has very high production during peak season (Nov-Dec), however, they also have high OT hours for many of their workers, from comparison, workload and production are not in balance, however, this is explained by the sub-contracting (3 sub-contractors). |

### R: Does the site have all required land rights licenses and permissions (see SMETA Best Practice Guidance)?

| Yes |
| No |

### S: Does the site have any internationally recognised system certifications e.g. ISO 9000, 14000, OHSAS 18000, SA8000 (or other social audits). Please detail (Number and date).

| No |

### T: Is there a Human Resources

| Yes |

---

Comment [Sedex45]: Where available the auditor should give details of accident records and indicate any trends in reduction or increases.
<table>
<thead>
<tr>
<th>manager/department?</th>
<th>☐ No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Please describe:</td>
</tr>
<tr>
<td></td>
<td>H&amp;R Manager is Mr FFF</td>
</tr>
<tr>
<td></td>
<td>1 admin staff Miss MMM</td>
</tr>
</tbody>
</table>
### Worker Analysis

<table>
<thead>
<tr>
<th></th>
<th>Local</th>
<th></th>
<th>Migrant</th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Permanent</td>
<td>Temporary</td>
<td>Agency</td>
<td>Permanent</td>
<td>Temporary</td>
</tr>
<tr>
<td>Worker numbers – male</td>
<td>44</td>
<td>216</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Worker numbers – female</td>
<td>86</td>
<td>304</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>520</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Number of Workers interviewed | 12 | 30 | 42 |

### Contractors:

(Individuals supplying workers to site with the workers paid by contractors, not by site)

- **A:** Any contractors on site?  
  - Yes  
  - No

- **B:** If Yes, how many workers supplied by contractors
  - Yes  
  - No

- **C:** Are all contractor workers paid according to law?  
  - Yes  
  - No  
  - No contractors on site.

If Yes, Please give evidence for contractor workers being paid according to law:

### Migrant Workers:

(See SMETA Best Practice Guidance for definitions of migrant workers)

- **D:** Originating Locations/Countries:  
  - Migrant workers are mainly from Sichuan, Yunnan and Guangxi.

- **E:** Type of work undertaken by migrant workers:  
  - All types of work in the factory include migrant workers

- **F:** Were migrant workers recruited through an agency?  
  - Yes  
  - No

---

Comment [Sedex46]: Please note that the workers interviewed should as a minimum agree with the numbers specified in the BPG and Measurement Criteria. If night workers have been interviewed, please state so here.

Comment [Sedex47]: Please see the SMETA Best Practice Guidance v.5.0 for a clear definition of migrant workers.
<table>
<thead>
<tr>
<th>If yes, please give details.</th>
<th>Please describe: All migrant workers were recruited directly by the factory rather than through an agent</th>
</tr>
</thead>
<tbody>
<tr>
<td>If Yes, is there a contract with the agency? Provide details of agencies and contractual arrangements including any fees lodged during the recruitment process.</td>
<td>N/A</td>
</tr>
</tbody>
</table>
| G: Does the site have a system for checking labour standards of agencies? If yes, please give details. | ☐ Yes  ☒ No  
Please describe: N/A Site does not use agencies |
| H: Percentage of migrant workers in company provided accommodation: | 60% |
Audit Results by Clause

0: Management systems and Code Implementation

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

Current Systems and Evidence Examined

To complete ‘current systems’ Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

• Responsibility for meeting the legal and client code requirements is shared between the HR Manager and the Health & Safety Manager. Together they are responsible to the factory manager for ensuring the standards are met.
• Overall responsibility for meeting the standards is taken by the Factory Manager, Mr EEE.
• There is an internal audit team for quality who in addition take on the role for internal audit of the social standards of the factory and they report to the HR and Health & Safety manager jointly to report their findings.
• Implementation of any necessary changes is then given to the individual department heads after agreement with the factory manager, this system is not fully effective, please see NC in clause 3, where one workshop supervisor has not made sure workers use appropriate PPE.
• There are no certifications at the site, such as ISO 14000, ISO 9000 etc.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

• Internal audit documents (the quality manager audits the personnel and wages systems of the factory)
• Client’s code of conduct at the factory (posted in Chinese in the personnel office).
• A manual created by the factory which contained all required documents and all appropriate procedures for meeting the client’s code of conduct and the legal requirements, however all of these were not implemented.

Comment [Sedex48]: Please ensure that current status checks the points 0.1, 0.2, 0.3, 0.4 above. The auditor should state what evidence e.g. company policy, procedures, and interviews.

Current systems and evidence examined and current systems should always be completed even if only to state ‘site was / was not compliant’.
**Non-compliance:**

<table>
<thead>
<tr>
<th>1. Description of non–compliance:</th>
<th>Objective evidence observed:</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ NC against ETI/Additional Elements ☐ NC against Local Law</td>
<td>(where relevant please add photo numbers)</td>
</tr>
<tr>
<td>During worker interview 10 out of 42 workers interviewed were not aware of the ETI code and were not aware it was posted in the factory in local language.</td>
<td>1. Site tour, Worker Interview</td>
</tr>
</tbody>
</table>

**Local law and/or ETI requirement:**

- ETI code
  - 0.3 Suppliers are expected to communicate this Code to all employees.

**Recommended corrective action:**

It is recommended that all workers are made aware of the content of the ETI code and that it is additionally displayed in the workers canteen, for increased visibility.

**Action by:** HR Manager – Mr FFF

**Timescale:** 30 days

<table>
<thead>
<tr>
<th>2. Description of non–compliance:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ NC against ETI/Additional Elements ☐ NC against Local Law</td>
<td></td>
</tr>
<tr>
<td>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 could not be fully verified in this audit.</td>
<td></td>
</tr>
</tbody>
</table>

**Local law or ETI requirement:**

- In accordance with ETI Clause 0.1 Suppliers are expected to implement and maintain systems for delivering compliance to this Code.

**Recommended Corrective Action:**

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.

**Management Response:**

Factory management will take corrective action regarding this issue within 60 days.

**Action by:** HR Manager – Mr FFF

**Timescale:** 60 days

**Comment [Sedex49]:** In each section where NC are raised indicate whether these are against local law or ETI/additional requirements.

**Comment [Sedex50]:** Non-Compliances should be against Local Law or ETI. There is no such code as ‘Sedex Code’, ‘SMETA code’, ‘SMETA Best Practice Guidance’.

---

2. Per time records, production records and employees' interview.
   - a). Through reviewing the Broken Needle / Needle Storage Records, it was noted that 4 workers worked on 7th December 2013, 4 workers worked on 8th December 2013 and 3 workers worked on 14th December 2013, but the attendance records provided by the factory indicated that those workers rested on the corresponding mentioned days.
   - b). Through reviewing the Production Records of moulding and painting workshop, it was noted that there were production records on 15th November 2014, 16th November 2014 and 22nd November 2014, but the attendance records provided by the factory indicated that all workers in moulding and painting workshop rested on the above mentioned days.
## Observation:

<table>
<thead>
<tr>
<th>Description of observation:</th>
<th>Objective evidence observed:</th>
</tr>
</thead>
<tbody>
<tr>
<td>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. They had however started this work, and would finalise the SAQ within the next month.</td>
<td>1. Management interview</td>
</tr>
<tr>
<td><strong>Local law or ETI requirement:</strong></td>
<td>2. Management interview and management system documentation review</td>
</tr>
<tr>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td><strong>Comments:</strong> 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. They had however started this work, and would finalise the SAQ within the next month.</td>
<td></td>
</tr>
</tbody>
</table>

## Good Examples observed:

<table>
<thead>
<tr>
<th>Description of Good Example (GE):</th>
<th>Objective evidence observed:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The factory has an internal management system which includes its own internal audits performed by the quality team. Two members of the quality audit team have been on a social auditing skills course, and are trained to review documents.</td>
<td>1. Internal audit reports covering the ETI code</td>
</tr>
<tr>
<td><strong>Objective evidence observed:</strong></td>
<td>2. Review of annual survey documentation and worker/management interviews</td>
</tr>
<tr>
<td>2. The site had conducted a worker survey in January 2014, and was planning to repeat the exercise every year. The result of the survey has been used to develop the site practices and increase the satisfaction of the workers.</td>
<td></td>
</tr>
</tbody>
</table>
1: Employment is Freely Chosen

ETI

1.1 There is no forced, bonded or involuntary prison labour.
1.2 Workers are not required to lodge "deposits" or their identity papers with their employer and are free to leave their employer after reasonable notice.

Current Systems and Evidence Examined

To complete 'current systems' Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:
The factory has a policy which prohibits forced labour and this was available for review.

There was a non-formalised application procedure which states that workers must present their ID's for proof of age but that only copies must be kept in the personnel files and the original given back to the workers.

The employee handbook – given to all workers on joining, states that workers within their probation period are free to leave with 3 days written notice and once a worker is permanent (this is out of probation) they can resign from the factory with one month’s prior written notice, given to their supervisor or the personnel office. The handbook also states that they will be given their full wages on their last day of work. There was no formalised procedure for how workers would receive their last wages if they leave e.g. after Chinese New Year.

The terms and conditions of employment in the handbook state that the workers are free to leave the workplace outside of their working hours – even when they are living in the dormitory.

Contract for security guards state that they must not prevent workers from leaving the premises outside of working hours and where they are conducting searches that this is at the request of management, is done on a sample basis and is performed discretely and without significant delay to workers leaving at the end of shift.

The above was confirmed in management and worker interview.

Evidence examined — to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):
- Personnel files (all were checked) — see NC number 1 below on original ID’s
- Resignation records
- Factory rules
- Employee handbook
- Management and worker interview
- Contracts for security guards

Non–compliance:

1. Description of non–compliance:
- NC against ETI
- NC against Local Law:

In the sample review of 42 files one was found with an original ID card and a check was made on all other files (850).

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 office had overlooked giving the originals back to the workers.

Objective evidence observed:

(Where relevant please add photo numbers)

1. Management interview
   All personnel files were checked

Comment [Sedex51]: Auditor must record the evidence checked which confirmed the site’s current systems.
Local law and/or ETI requirement:
ETI 1.2 Workers are not required to lodge “deposits” or their identity papers with their employer and are free to leave their employer after reasonable notice. China law X.X states that……

Recommended corrective action:
Management believe it was an isolated mistake by the personnel office and that the procedure for handing back ID cards after copying is written down and clear. This was confirmed by 30 recently joined workers all having copy ID’s only in their files. Managers suggested that they implement a system for the HR manager checking the files of all new joiners at the end of each month to ensure that ID cards have been given back.

Action By: HR manager – Mr FFF
Timescale: 30 days

2. Description of non-compliance:
   2.1 NC against ETI/Additional Elements
   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).

Local law or ETI requirement:
ETI 1.2 Workers are not required to lodge “deposits” or their identity papers with their employer and are free to leave their employer after reasonable notice.

Recommended corrective action:
It is recommended that the factory should stop such behaviour and ensure no more deposit happen.

Action By: HR manager – Mr FFF
Timescale: 30 days

Observation:

Description of observation:
Workers are paid one month in arrears – which is legally permitted. That is they are paid on the 10th of the following month for the previous month’s work. Although documents showed that workers were paid full settlement amounts when they gave notice to leave, there was no written information on how workers were paid when they did not give appropriate notice. Such an example would be when workers do not return after their annual leave.

Management stated that the remaining wages would be given to a friend of the worker to give to the worker who had left without notice. This was confirmed by worker interview also with some workers having been given responsibility for returning outstanding wages to friends. However there was no documentary evidence of this.

Local law or ETI requirement:
ETI. 1.2 Workers are not required to lodge “deposits”

Comments:
Management suggested that they would create a system whereby each worker confirmed how they would like their outstanding wages to be returned to them if they were unable to collect them for themselves. This would be a signed document and the personnel department would agree a series of acceptable practices with the worker representatives.

Good Examples observed:

Description of Good Example (GE):
The site provides every worker with an employment hand book as soon as they start work. This handbook details terms and conditions of employment including the holiday entitlement, notice periods, payment of wages.

Objective evidence observed:
Employee handbook
2: Freedom of Association and Right to Collective Bargaining are Respected

ETI

2.1 Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.
2.2 The employer adopts an open attitude towards the activities of trade unions and their organisational activities.
2.3 Workers’ representatives are not discriminated against and have access to carry out their representative functions in the workplace.
2.4 Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining.

Current Systems and Evidence Examined

To complete ‘current systems’ Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:
- There is no union at the site
- There is evidence of a workers committee
- The committee members were chosen by fellow workers
- There is one set of minutes only
- The workers committee was formed 6 months ago
- Worker interview confirmed that the members of the workers committee had been elected by fellow workers.
- The workers on the committee expressed dissatisfaction at the lack of action taken by management on items raised, especially their request for coveralls for dirty jobs and gloves for the spray painting department.
- The women on the workers committee appeared to have left because of the challenges of meeting with a large group of men.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):
- Minutes of the works committee meeting
- Site policy on freedom of association
- Interview with workers
- Interview with workers committee members
- Interview with managers

Non-compliance:

1. Description of non-compliance:
   ☒ NC against ETI
   ☒ NC against Local Law
   The workers committee exists in theory but does not appear to function. It has met only once in the last 6 months and the number of workers has dropped from 10 to 6. The female members have left maybe for cultural reasons, which mean that the 60% of the workers at the site have no gender representation in the workers committee. Both workers and committee members were dissatisfied at the lack of action by management based on the issues they raised at the one meeting.

Objective evidence observed:
(where relevant please add photo numbers)
1. Workers committee meeting minutes,
   Management interview,
   Worker interview and
   Committee members

Comment [Sedex53]: It is important that the auditor states:
- Whether there is a union or not
- Whether workers feel free to join a union

Audit Company: 3 Squares Audit company Ltd. Report reference: XXXXX Date: 01/12/14
### Local law and/or ETI requirement:

**Local Law:**
The local labour law requires that each site must either have a union or if not a functioning workers committee, which must meet at least once per 3 months.

**ETI requirement:**
ETI 2.1. Workers without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.
ETI 2.4. The employer facilitates and does not hinder the development of parallel means for independent and free association and bargaining.

**Recommended corrective action:**
The site agreed that worker/management committee meetings will now take place every 3 months and that female workers will be elected to the committee. If necessary women representatives will meet separately with a female manager.
Management agreed to publish the meeting minutes by displaying them in the works canteen and to continue to publish the minutes of any further meetings.

**Action by:** HR Manager – Mr FFF
**Timescale:** 30 days

### Description of non-compliance:

- **Local law or ETI requirement:**
  - ETI code 2.2: the employer adopts an open attitude toward the activities of trade unions and their organisational activities.

- **Recommended corrective action:**
The site agreed to inform all workers of their right to join a trade union and to include it as part of induction training.

**Action by:** HR Manager – Mr FFF
**Timescale:** 60 days

### Observation:

1. **Description of observation:**
Minutes of the workers committee meeting are produced but they are not shared with the total workforce.

2. **Local law or ETI requirement:**
ETI 2.4 Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining.

**Comment:**
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 also future minutes.

2. Description of observation
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.

Local law or ETI requirement:
ETI. 2.4 Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining.

Comment:
It was discussed that one way of getting workers interested in making suggestions could be 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.

3. Description of observation
There was some concern from the workers committee that some of their requests were being ignored, such as request for gloves in detail painting workshop (part of painting workshop in production building 2).

Local law or ETI requirement:
ETI. 2.4 Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining.

Comments:
The H&S manager said he had checked with the supplier of the 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. It was discussed with management that it would be useful if workers were made aware that there was no need for gloves and that the glues in use in the factory were not hazardous to health.

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<table>
<thead>
<tr>
<th>A: Name of union and union representative, if applicable:</th>
<th>None present</th>
<th>Is there evidence of free elections?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes ☐ No ☐ N/A</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B: If no union what is parallel means of consultation with workers e.g. worker committees?</th>
<th>Workers committee; A workers committee in place with 10 worker members elected by the workers to represent each section of the factory. Currently there were 6 active members of the worker committee.</th>
<th>Is there evidence of free elections?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>☐ Yes ☐ No</td>
<td>Yes ☐ No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C: Were worker representatives/union representatives interviewed</th>
<th>☐ Yes ☐ No If Yes, please state how many: 4 (2 male, 2 female (not active))</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>D: State any evidence that union/workers committee is effective?</th>
<th>The committee has met only once – does not meet the legal requirement of meeting every 3 months. There are meeting minutes and</th>
</tr>
</thead>
</table>
Specify date of last meeting; topics covered; how minutes were communicated etc.

the workers committee interview confirmed that they have met with management only one time in the last 6 months. Last meeting topics covered supply of PPE and quality of canteen food. Meeting minutes was produced but not shared with the total workforce.

E: Are any workers covered by Collective Bargaining Agreement (CBA) □ Yes □ No

F: If Yes what percentage by trade Union/worker representation

____% workers covered by Union CBA

____% workers covered by worker rep CBA

G: If Yes, does the Collective Bargaining Agreement (CBA) include rates of pay

□ Yes □ No

Good Examples observed:

1. Description of Good Example (GE):
Annual survey of workers satisfaction

2. Description of Good Example (GE):
After the worker satisfaction survey, in addition to the suggestions box, a confidential e-mail address was established for obtaining the complaints from workers.

Objective evidence observed:
1. Annual survey documentation, worker interview
2. Management interviews, worker interview, email inbox.
3: Working Conditions are Safe and Hygienic

ETI

3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

3.2 Workers shall receive regular and recorded Health & Safety training, and such training shall be repeated for new or reassigned workers.

3.3 Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided.

3.4 Accommodation, where provided, shall be clean, safe, and meet the basic needs of the workers.

3.5 The company observing the code shall assign responsibility for Health & Safety to a senior management representative.

Current Systems and Evidence Examined

To complete ‘current systems’ Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

1. General Health and Safety management
   - Mr GGG, manager of the injection moulding section is appointed as Health & Safety Manager for the site.
   - Potable water was freely available in all areas and test certificates were up-to-date
   - Sufficient clean toilets segregated by gender were available at all times to workers
   - Ventilation, temperature and lighting were adequate for the production processes.
   - Health certificates for kitchen operators and the hygiene certificate for the kitchen was up-to-date and legal
   - Minutes of meetings show that there are monthly meetings between the H&S committee (workers) and the H&S manager, and each point is actioned on.

2. Fire Safety
   - There were at least 2 exits from each work area and these were clearly marked
   - Fire fighting equipment was adequate and checks were up-to-date
   - Evacuation diagrams were posted in all areas and understood by all workers interviewed
   - Fire drills were organised and recorded every 6 months of both production and dormitory units
   - Training had been given by the local fire department and fire marshals had been specially selected for extra training.

3. Electrical safety
   - All electrical equipment was maintained in good condition such as sockets, plugs, switches and main fuse boards.
   - There were competent electricians at the site and their training certificates were available for review.

4. Chemical safety
   - All chemicals were correctly labelled.
   - Material Safety Data Sheets were available and there were hazard diagrams on any chemicals which needed careful handling.
   - Workers in the chemical store confirmed that they had been trained on correct handling procedures as well as what to do in an emergency.

5. Medical services
There were adequate first aid kits in each production area and they were well stocked. There were 30 first aiders and when a selection was interviewed, they confirmed they had been trained at a local hospital. These first aiders were identified by blue ‘cross’ armbands.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

- Health and safety policy
- Health and safety manual
- Health and safety committee minutes
- Training records and certificates
- Fire equipment maintenance records
- Fire drill records
- Government licenses and checks on air quality and noise level
- Building structure safety certificate
- Trained first aider register
- Accident reports
- Sanitation permit for kitchen
- Health certificates for kitchen staff
- Chemical list and MSDS for each chemical
- Potable water testing certificates
- Interviews with H&S manager
- Interviews with workers and H&S committee members

Non-compliance:

1. Description of non-compliance:
   - ☑ NC against ETI    ☑ NC against Local Law
   During the site visit it was noted that workers in the spray painting department (45) 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 protective equipment (PPE). Please also see clause 4 young workers.

Local law and/or ETI requirement

ETI 3.1. A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

Law ‘Safety Manufacturing Law article 37’ states “units shall provide PPE for employees, and arrange correct supervision and training.

Recommended corrective action:
The H&S manager, Mr GGG discussed with the factory manager that PPE must be obtained for all workers in spray pointing and that he, (Mr. GGG) would ensure all workers were trained in their correct use. He believed that training was available from the supplier of the paints and would organise him to visit to give a training session.

Action by: H&S Manager – Mr GGG

Comment [Sedex55]: Non-Compliances should be against Local Law or ETI. There is no such code as ‘Sedex Code’, ‘SMETA code’, ‘SMETA Best Practice Guidance’.
2. Description of non-compliance:

- NC against ETI
- NC against Local Law

It was noted that combustible materials (raw materials) were stored in 3 out of 3 stairwells on the 1st floor of the production building 2 (Raw material warehouse, Accessory material warehouse).

Local law and/or ETI requirement:

ETI 3.1. A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

Law: ‘Fire safety of building design Regs’ Article 7.4.1. ‘Evacuation staircases should conform to several requirements including…..storage rooms for combustible materials shall not be attached to staircases ....’

Recommended corrective action:

It is necessary that the factory should remove all combustible material from the staircases to comply with the law and the ETI code. The H&S manager stated that there was a large unused space in the warehouse where the materials can be stored until needed for production. The factory manager agreed that these will be moved immediately.

Action by: H&S Manager Mr GGG

Timescale: Immediate

Objective evidence observed:

1. Site tour

1. Description of observation:

Some workstations in production building 1 (Floor 3 – Assembly workshop, Ironing workshop) and production building 2 (Floor 4 – Painting workshop) are untidy creating a slight risk of injury

Local law and/or ETI requirement:

In accordance with ETI Base code 3.1

A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

Recommended corrective action:

All workstations need to be clean to reduce the risk of injury.
### Good Examples observed:

<table>
<thead>
<tr>
<th>Description of Good Example (GE):</th>
<th>Objective Evidence Observed:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Description of Good Example (GE): It was noted that as well as a medical centre in the production unit there was a clinic room with beds, a weekly visit from a doctor, and a library on the first floor of the dormitory.</td>
<td>1. Site and dormitory tour, notice board in canteen.</td>
</tr>
<tr>
<td>2. Description of Good Example (GE): The accident book was reviewed by the H&amp;S manager, Mr GGG and the H&amp;S committee at each of their monthly meetings and there is a target to reduce the accidents at the factory by 50% in the next 6 months.</td>
<td>2. Management interview, document review</td>
</tr>
<tr>
<td>3. Description of Good Example (GE): The H&amp;S committee members are given the responsibility for finding out the reasons for accidents and along with the workers concerned coming up with suggestions of how such accidents might be prevented in the future.</td>
<td>3. Management interview, document review, H&amp;S committee</td>
</tr>
<tr>
<td>4. Description of Good Example (GE): The H&amp;S committee members have been given a camera to take photographs of potential hazards and as well as reporting them to post them on the notice board in the canteen along with the action taken, for information of all workers.</td>
<td>4. Management interview, document review, H&amp;S committee</td>
</tr>
<tr>
<td>5. Description of Good Example (GE): In the chemical store each container of chemical was marked with a red, amber or green large coloured label to signify: green = totally safe to use, amber = handle with caution, red = handle with extreme caution. There was a key to explain on the notice board in the chemical store. The colour codes linked back to information in the safety data sheet book also present in the chemical store.</td>
<td>5. Site tour, notice board and material safety data sheets</td>
</tr>
</tbody>
</table>
4: Child Labour Shall Not Be Used
(Click here to return to NC-table)
(Click here to return to Key Information)

ETI

4.1 There shall be no new recruitment of child labour.
4.2 Companies shall develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child.
4.3 Children and young persons under 18 shall not be employed at night or in hazardous conditions.
4.4 These policies and procedures shall conform to the provisions of the relevant ILO Standards.

Current Systems and Evidence Examined
To complete ‘current systems’ Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:
There is an informal procedure for checking ages of workers at application stage, and this includes checking ID’s, however, this is not written down, and there are no formal checks of validity of ID’s.
Once workers have joined their original ID’s are copied and given back to them whilst copies only are kept in their personnel file.
Checks of all workers files showed that the youngest worker present was age 16 yrs.
There were a total of 20 workers at the site between the ages of 16-18 yrs. (young workers) - as found from the checking of worker files, but there was no separate list of young workers kept.
There was a note on young workers in the employee handbook detailing special employment conditions which included that by law young workers will be given a regular health check and will be registered with the local labour office; however this was not fully implemented.
Details of NC’s below.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):
- Personnel files of all workers (see checks done for clause 1 ‘employment freely chosen’
- Latest list of employees
- Young workers details
- Records of any health checks

Non-compliance:

1. Description of non-compliance:
☐ NC against ETI ☒ NC against Local Law
During interview of a selection of young workers (16-18yrs) and on review of their files it was noted that young workers were not registered with the local labour bureau and did not have regular health checks.

Local law and/or ETI requirement:
Law: In accordance with the Regulations for the Special Protection of Juvenile Employees (Document number 498) Article 9 employment for juvenile workers should
be registered. Article 6: employers should provide regular health checks to juvenile workers, before starting work at the enterprise, after one year’s work, when they reach 18 yrs. if not checked in the previous 6 months.

**Recommended corrective action:**
Recommended that the factory should register their young (juvenile) workers as well as ensure that the juvenile workers are registered and have a health check carried out. It was discussed that this needs to be part of their recruitment procedures as the law requires that any juvenile workers have a health check before starting work at the factory.

**Action by:** HR Manager  
**Timescale:** 60 days

2. Description of non-compliance:
- ☒ NC against ETI  
- ☐ NC against Local Law

During the site visit it was noted that 5 young workers in the spray painting department (45) 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 protective equipment (PPE). This area constitutes a hazardous condition as defined in the ETI code, where young people should not work.

**Local law and/or ETI requirement:**
4.3 Children and young persons under 18 shall not be employed at night or in hazardous conditions.

**Recommended corrective action:**
The Health and Safety Manager suggested that this worker is retrained so that they can work in a non-hazardous area, making sure that their wages and opportunities for productivity bonus remain the same.

**Action by:** Mr GGG – H&S manager  
**Timescale:** 30 Days

<table>
<thead>
<tr>
<th>Observation:</th>
</tr>
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</table>
| **Description of observation:**  
It was noted that the factory do not keep a separate register of juvenile workers thus making it difficult for the personnel department to check on when the next health check is required.  

**Local law or ETI requirement:**  
**Local Law:** In accordance with the Regulations for the Special Protection of Juvenile Employees (Document number 498) Article 9 employment for juvenile workers should be registered. Article 6: employers should provide regular health checks to juvenile workers, before starting work at the enterprise, after one year’s work, when they reach 18 yrs. if not checked in the previous 6 months.  

**Comments:**  
The HR manager suggested that they start a register of any juvenile workers and that they make supervisors and section managers aware of where they are working. This will make it easier to ensure that:  

**Objective evidence observed:**  
Personnel Files in the HR office
They are registered – responsibility of personnel department after recruitment
They have health checks – responsibility of personnel department to organise pre-joining
The health checks continue at required intervals – personnel department
They never work in hazardous conditions – responsibility of section manager and supervisors

Good Examples observed:

<table>
<thead>
<tr>
<th>Description of Good Example (GE):</th>
<th>Objective Evidence Observed:</th>
</tr>
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5: Living Wages are Paid

ETI
5.1 Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.

5.2 All workers shall be provided with written and understandable information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid.

5.3 Deductions from wages as a disciplinary measure shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All disciplinary measures should be recorded.

Current Systems and Evidence Examined
To complete ‘current systems’ Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:
- The local legal minimum wage was 1100/month from 1st March 2012 (6.32 per hour)
- All workers’ wages were calculated by hourly and monthly rate. The minimum wage paid by the factory was 1100 per month according to the wage records, however some workers received less than minimum wage, see NC below.
- The wages office was well organised with a good controlled set of processes which are understood by all employees.
- All workers are provided with written and understandable information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid.
- Document review of payroll and employee wage records showed that only 50% of workers had social insurance deducted and paid for pension, unemployment, maternity, sickness and injury. All workers had deductions made for injury insurance and personal income tax. Of the remaining 50%, half of them had all deduction except for maternity and sickness, 25% of all workers had only injury insurance and personal income tax. This was based on the payment receipts provided by the factory.
- The factory had an approval from the local labour bureau to only pay for 50% of workers but it required the site to increase the employees to all, over the next 2 years.
- Benefits of paid, annual leave, was given to all workers and child-bearing leave to appropriate workers.
- All social insurance payments were passed on to the relevant authorities in a timely manner.
- All workers were paid on 10th of each month by cash and each worker was given a pay slip and signed for their wages.
- Wages have been recorded according to documents checked, but production records (see hours section) suggested that workers were working on days where records showed they rested. It was therefore not possible to accurately verify wages records.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):
- Document review
- Worker interview
- Local and national laws
### Non-compliance:

**1. Description of non-compliance:**
- NC against ETI
- NC against Local Law

**Minimum wage, overtime wages and working hours could not be accurately verified for the following reasons:**

a. The broken needle records showed that some workers (4+3) were working in December 2013, on days when payroll 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 days when the payroll records showed they were resting (see also hours section).

**Objective evidence observed:**

(Where relevant please add photo numbers)

| 1. Production records, Broken needle record, Maintenance records and Payroll records |
| 2. Payroll records, Wage slips, Management and worker interview |

**Local law and/or ETI requirement:**

**Labour law – ETI code 5.1.** Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher.

**Recommended corrective action:**

It is recommended that the factory keeps accurate and complete attendance records to ensure that wages and hours can be accurately verified.

**Factory comments:**

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.

FOR THE PURPOSE OF THIS GUIDE THIS NON-COMPLIANCE HAS ALSO BEEN RECORDED IN MANAGEMENT SYSTEMS AND WORKING HOURS (Final customer may have a preference).

**2. Description of non-compliance:**
- NC against ETI
- NC against Local Law

During document review of the payroll it was found 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 is paid standard wages at 1500 per month (21.75 days and 8 hours per day), that is 8.62 currency units per hour.

For 28 hours overtime hours per month the total wage should be:

$8.62 \times 28 \times 1.5 = 362 \text{ [currency units]}$

The actual wages paid were 265.4 i.e. overtime rates were calculated on the min wage and...
## Local law and/or ETI requirement:
The Law states premiums must be of the normal pay rate, and for those who are earning more than the minimum legal hourly rate, overtime should be paid at 150% of their standard pay rate.
The employer unit shall pay workers overtime payments as follows:
- 150% of normal wages for any hours extension on a normal work day
- 200% of normal wages for any hours extension on rest days and no deferred rest can be arranged
- 300% of normal wages if the hours extension is on statutory holidays

**Labour law article x, y and z used as a basis for this review.**

## ETI Code 5.1.
Wages and benefits paid for a standard working week meet, at a minimum, national legal standards.

### Recommended corrective action:
The wages manager has agreed to a complete review of overtime payments and that all incorrect underpaid overtime will be rectified and paid within 60 days.

### Action by:
Factory Manager

### Timescale:
Wage adjustment – immediate
Payment of owed wages – 60 days

### 3. Description of non-compliance:

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>☒ NC against ETI</td>
<td>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 5.8 RMB per hour and these included cleaners (5% of workforce – 32 workers) and new 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 are not guaranteed, and that it is a legal requirement to guarantee a minimum legal wage of RMB 6.32 per hour to all workers as a minimum requirement bonuses etc. are then in addition.</td>
</tr>
<tr>
<td>☒ NC against Local Law</td>
<td>Local law or ETI requirement: ETI. 5.1 Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income. Law: ‘PRC labour law Article 48’ the employing unit shall pay workers not less than the minimum wage standard of the locality’ (in this area RMB 6.32 per hour).</td>
</tr>
</tbody>
</table>

### Recommended corrective action:
Management agreed after checking the legal documentation that workers should be paid a minimum of RMB 6.32 per hour and that the 10% of the workforce who were below this would have their wages adjusted for the next wages interval, to meet the minimum required legal rate.
In addition the factory manager will require the wages office to calculate how much is owed to the 10% of individuals who have only been paid RMB 5.8 per hour since the increase in minimum legal wage rate to 6.32. Then wages office will then recommend how this should be paid back to the relevant workers.

**Action by:** Factory Manager  
**Timescale:** Wage adjustment – immediate  
Payment of owed wages – 60 days

### Observation:

<table>
<thead>
<tr>
<th>Description of observation:</th>
<th>Objective evidence observed:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document review of payroll and employee wage records showed that only 50% of workers had social insurance deducted and paid for pension, unemployment, maternity and sickness. All workers had deductions made for injury insurance.</td>
<td>1. Payroll records and wages records for individual worker, Receipts for social insurance payments, Signed agreement from the local labour bureau on exemption from social insurance for a percentage of workers until the following year.</td>
</tr>
</tbody>
</table>

**Local law or ETI requirement:**  
Local law requires that all workers must be part of the social insurance scheme.

**Comments:**  
The factory had a signed agreement with the local labour bureau that social insurance must be paid for 50% of the workers only this year. The factory informed the auditor that factories were permitted to gradually introduce social insurance over a period of years. However all workers must be included over the agreed period.

### Good Examples observed:

**Description of Good Example (GE):**  
Factory provides free meals and transportation for workers.  
- Free meal is 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.

**Objective Evidence Observed:**  
Worker interview & transportation records

### Wages analysis:

**Objective Evidence Observed:**  
1. Payroll records and wages records for individual worker, Receipts for social insurance payments, Signed agreement from the local labour bureau on exemption from social insurance for a percentage of workers until the following year.

**A: Sample Size Checked**  
(State number of worker records checked and from which weeks/months and worker type – should be current, peak and random/low; please see SMETA Best Practice Guidance)

- 42 samples from December 2013 (peak)  
- 42 samples from May 2014  
- 42 samples from November 2014 (current)

**Comment [Sedex58]:** If you differ from the SMETA guidelines here, please note this in the declaration at the start of the audit on page 2.
<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>B: Are there different legal minimum wage grades? If Yes, please specify all.</td>
<td>☑ Yes</td>
<td>☑ No</td>
</tr>
<tr>
<td>C: If there are different legal minimum grades, are all workers graded correctly?</td>
<td>☑ Yes</td>
<td>☑ No</td>
</tr>
<tr>
<td>D: What deductions are required by law, e.g. social insurance? Please state all types:</td>
<td>Social insurance: pension, unemployment, maternity (where applicable), sickness and injury</td>
<td></td>
</tr>
<tr>
<td>E: Have all of these deductions been made? Please list all deductions that have been made.</td>
<td>☑ Yes</td>
<td>☑ No</td>
</tr>
<tr>
<td>F: Industry norm for this region: (please include time period e.g. hour/week/month)</td>
<td>There are no industry norms for this region at present.</td>
<td></td>
</tr>
</tbody>
</table>

Comment [Sedex59]: Auditors should specify here what type of insurance. E.g. there are 5 in China. Auditor should state which insurances and taxes are required and whether they have been deducted.
<table>
<thead>
<tr>
<th>Worker Type</th>
<th>Process Operator (Lowest paid)</th>
<th>Process Operator (Average paid)</th>
<th>Process Operator (Highest paid)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Select from individual worker records one worker from, lowest, average and highest wages and populate the boxes. Ensure comparison is made for same pay period and only uses full–time workers. See SMETA Best Practice Guidance for completing this:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A: Pay period: (State month selected)</td>
<td>May 2014</td>
<td>May 2014</td>
<td>May 2014</td>
</tr>
<tr>
<td>B: <strong>Anonymous</strong> Employee Reference/Dept.</td>
<td>Worker A / Trimming Dept.</td>
<td>Worker B / Packing Dept.</td>
<td>Worker C / Sewing Dept.</td>
</tr>
<tr>
<td>C: Employee Gender</td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>D: Contracted/Standard working hours: (excluding OT – please include time period e.g. hour/week/month)</td>
<td>174 hours/month (21.75 days)</td>
<td>174 hours/month (21.75 days)</td>
<td>174 hours/month (21.75 days)</td>
</tr>
<tr>
<td>E: Contracted /Standard work pay rate: (excluding OT – please include time period e.g. hour/week/month)</td>
<td>1100 [currency units] per month (21.75 days and 8 hours per day)</td>
<td>1200 [currency units] per month (21.75 days &amp; 8 hours per day)</td>
<td>1500 [currency units] per month (21.75 days &amp; 8 hours per day)</td>
</tr>
<tr>
<td>F: Standard day overtime – hours: (please include time period e.g. hour/week/month)</td>
<td>16 hours this month</td>
<td>34 hrs. this month</td>
<td>28 hrs. this month</td>
</tr>
<tr>
<td>G: Standard day overtime – wage: (please include time period e.g. hour/week/month)</td>
<td>151.7 [currency units] this month and 9.48 [currency units] per hour</td>
<td>322.3 [currency units] this month and 9.48 [currency units] per hour</td>
<td>265.4 [currency units] this month and 9.48 [currency units] per hour*</td>
</tr>
<tr>
<td>H: Rest day overtime – hours: (please include time period e.g. hour/week/month)</td>
<td>0 hours worked.</td>
<td>0 hours worked.</td>
<td>0 hours worked.</td>
</tr>
<tr>
<td>I: Rest day overtime – wage: (please include time period e.g. hour/week/month)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>J: Statutory Holiday overtime – hours: (please include time period e.g. hour/week/month)</td>
<td>0 hours worked.</td>
<td>0 hours worked.</td>
<td>0 hours worked.</td>
</tr>
</tbody>
</table>

**Comment [Sedex60]:** Please do not write names in this box. Auditors may keep their own records confidentially.

**Comment [Sedex61]:** These are hours which are paid at the normal rate without any overtime premium.

**Comment [Sedex62]:** All entries in these columns must state whether per day/week/month etc.

**Comment [Sedex63]:** Overtime premium paid as 1.5 X min legal wage instead of standard wage – see NC in wages section.

*See NC on OT wages.
### K: Statutory holiday OT – wages:
(please include time period e.g. hour/week/month)

<table>
<thead>
<tr>
<th></th>
<th>0</th>
<th>0</th>
<th>0</th>
</tr>
</thead>
</table>

### L: Total overtime hours:
(please include time period e.g. hour/week/month)

<table>
<thead>
<tr>
<th></th>
<th>16 hours</th>
<th>34 hours</th>
<th>28 hours</th>
</tr>
</thead>
</table>

### M: Incentives/Bonus/Allowances etc.:
(please include time period e.g. hour/week/month)

<table>
<thead>
<tr>
<th></th>
<th>50 this month [May] time-keeping and production bonus</th>
<th>100 this month [May] time-keeping and production bonus</th>
<th>410 this month [May] time-keeping and production bonus</th>
</tr>
</thead>
</table>

### N: Gross wages:
(please include time period e.g. hour/week/month)

<table>
<thead>
<tr>
<th></th>
<th>1301.7 [currency units] this month [May]</th>
<th>1622.3 [currency units] this month [May]</th>
<th>2175.4 [currency units] this month [May]</th>
</tr>
</thead>
</table>

### O: Social insurance and other deductions; please list which and amount.

<table>
<thead>
<tr>
<th></th>
<th>56 [currency units] for injury insurance and income tax</th>
<th>120 [currency units] covering pension, sickness, injury and unemployment insurance plus income tax</th>
<th>60 [currency units] for injury insurance and income tax</th>
</tr>
</thead>
</table>

### P: Actual wage paid after deduction:
(please include time period e.g. hour/week/month)

<table>
<thead>
<tr>
<th></th>
<th>1245.7 [currency units] this month</th>
<th>1502.3 [currency units] this month</th>
<th>2115.4 [currency units] this month</th>
</tr>
</thead>
</table>

**Comments:**
(Please state here any specific reasons/circumstances that explain the lowest and highest gross wages)

The above wages information is based on the attendance and payroll records provided by the factory. It is only for reference since the minimum wage, overtime wage and working hours could not be accurately verified in this audit.

THIS HAS ALSO BEEN RECORDED AS A NON COMPLIANCE IN SECTION 0 ‘MANAGEMENT SYSTEMS’.

### Q: Is there a defined living wage:
This is not normally minimum legal wage. If answered Yes please state amount and source of info:
Please see SMETA Best Practice Guidance

- Yes
- No

Please specify amount/time period:

### R: Are workers paid in a timely manner in line with local law?

- Yes All workers are paid on the 10th day of the month.
- No

### S: Is there evidence that equal rates are being paid for equal work:

- Yes
- No

Details: Through factory rules review, payroll records review and employee's interviews' interview, it was confirmed that equal rates are being paid for equal work.
<table>
<thead>
<tr>
<th>T: How are workers paid:</th>
<th>☑ Cash Pay packet containing money and a pay slip.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>☐ Cheque</td>
</tr>
<tr>
<td></td>
<td>☐ Bank Transfer</td>
</tr>
<tr>
<td></td>
<td>☐ Other</td>
</tr>
<tr>
<td></td>
<td>If other explain:</td>
</tr>
</tbody>
</table>

If other explain:
6: Working Hours are not Excessive

ETI

6.1 Working hours must comply with national laws, collective agreements, and the provisions of 6.2 to 6.6 below, whichever affords the greater protection for workers. Sub-clauses 6.2 to 6.6 are based on international labour standards.

6.2 Working hours, excluding overtime, shall be defined by contract, and shall not exceed 48 hours per week.*

6.3 All overtime shall be voluntary. Overtime shall be used responsibly, taking into account all the following: the extent, frequency and hours worked by individual workers and the workforce as a whole. It shall not be used to replace regular employment. Overtime shall always be compensated at a premium rate, which is recommended to be not less than 125% of the regular rate of pay.

6.4 The total hours worked in any 7 day period shall not exceed 60 hours, except where covered by clause 6.5 below.

6.5 Working hours may exceed 60 hours in any 7 day period only in exceptional circumstances where all of the following are met:
   - this is allowed by national law;
   - this is allowed by a collective agreement freely negotiated with a workers’ organisation representing a significant portion of the workforce;
   - appropriate safeguards are taken to protect the workers’ health and safety; and
   - The employer can demonstrate that exceptional circumstances apply such as unexpected production peaks, accidents or emergencies.

6.6 Workers shall be provided with at least one day off in every 7 day period or, where allowed by national law, 2 days off in every 14 day period.

Current Systems and Evidence Examined

To complete ‘current systems’ Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

- Through employees’ interview, overtime is voluntary.
- The factory provided hours and wages records from December 2013 to November 2014.
- Time cards are completed manually by workers and then entered into the electronic payroll system which calculates wages
- According to time records and worker interview basic working hours were 8 hours per day and a max 40 hours per week with no more than 2 hours overtime per day on weekdays and no overtime on rest days.
- Total overtime was above 36 hours per month (max in sample 80 hrs/month) and records show that workers have at least 1 day off per week.
- Minimum wage, overtime wage and working hours could not be accurately verified due to production records showing that some sections were working when the payroll records showed a rest day (see below in non-compliance section)
### Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

- Employee interview
- Management interview
- Local and national laws
- Factory policy on working hours
- Time cards
- Computerised time logging system
- Sample pay slips with recorded hours all workers interviewed
- Workers contracts
- 12 months hours records to establish highest and lowest hours over all employees
- Quality and production records to cross check hours

### Non-compliance:

<table>
<thead>
<tr>
<th>1. Description of non-compliance:</th>
<th>Objective Evidence Observed:</th>
</tr>
</thead>
<tbody>
<tr>
<td>☒ NC against ETI</td>
<td>1. Production records, Broken needle record, Maintenance records and Payroll records</td>
</tr>
<tr>
<td>☒ NC against Local Law</td>
<td></td>
</tr>
</tbody>
</table>

**Minimum wage, overtime wage and working hours could not be accurately verified due to the following reasons:**

a). Through reviewing the Broken Needle / Needle Storage Records, it was noted that 4 workers worked on 7th December 2013, 4 workers worked on 8th December 2013 and 3 workers worked on 14th December 2013, but the attendance records provided by the factory indicated that those workers rested on the corresponding mentioned days.

b). Through reviewing the Production Records of moulding and painting workshop, it was noted that there were production records on 15th November 2014, 16th November 2014 and 22nd November 2014, but the attendance records provided by the factory indicated that all workers in moulding and painting workshop rested on the above mentioned days.

**Local law and/or ETI requirement:**

a. As per the Labour Law the employing unit may extend working hours due to the requirements of its production or business after consultation with the trade union and labourers, but the extended working hour for a day shall generally not exceed one hour; if such extension is called for due to special reasons, the extended hours shall not exceed three hours a day under the condition that the health of labourers is guaranteed. However, the total extension in a month shall not exceed thirty-six hours.

b. In accordance with ETI 6.2 working hours excluding overtime shall not exceed 48 hrs per week and 6.6. With at least one day off for every seven day period on average. 6.3. Overtime shall be voluntary, and 6.4. total hours shall not exceed 60 hrs per week.

**Recommended corrective action:**

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.
The factory manager will manage this process and ensure that the system for recording hours is improved. Where discrepancies are found wages will be corrected and all back wages will be brought up to date.

Factory comments:
The cause of inconsistencies was workers wrote the dates on the production records by mistake. We will require all department heads to check the recording of the production records and attendance records to ensure they are correctly completed to ensure we avoid such kind of inconsistencies in the future.

Timescale: 60 days

2. Description of non-compliance:
☒ NC against ETI  ☒ NC against Local Law
Workers did more than 60 hrs per week for two weeks in December 2013 and two weeks in November 2014, this was in line with local waiver, however, still considered as a non-compliance. Management explained that the OT was due to heavy workload as peak season was in November-December.

10 workers (out of 42 sampled) found to have worked in excess of 60 hours per week (60-65 hours/week) in December 2013 and 5 employees (out of 42 sampled) were found to have worked in excess of 60 hours per week in November 2014 (60-65 hrs/week).

Local law or ETI requirement:
The ETI Base Code states that: 6.1 Working hours comply with national laws collective agreements and the provisions of 6.2 to 6.6, ………whichever affords greater protection.

In accordance with ETI 6.2 working hours excluding overtime shall not exceed 48 hrs per week and 6.6. With at least one day off for every seven day period on average. 6.3. Overtime shall be voluntary, and always compensated at a premium rate and 6.4. total hours shall not exceed 60 hrs per week

Local law: In accordance with the PRC Labour Law article 41 The employing unit may extend working hours due to the requirements of its production or business after consultation with the trade union and labourers, but the extended working hour for a day shall generally not exceed one hour; if such extension is called for due to special reasons, the extended hours shall not exceed three hours a day under the condition that the health of labourers is guaranteed. However, the total extension in a month shall not exceed thirty-six hours.

Recommended corrective action:
It is recommended that workers are prevented from working in excess of 60 hours per week.

The factory manager will manage this process and ensure that the system for recording hours is improved.

Timescale: 60 days

Management Response:
The factory obtained one Comprehensive Working Hours System approval from local labour bureau, the approved implementation period was 1 year from 1st January 2014 to 31st December 2014, and the total working hours allowed was 2432 hours [2000 (250 days x 8 hours) plus 432 (36 overtime hours x 12 months)].

In this audit, 5 workers had been selected to check their total annual working hours from 1st January 2014 to 30th December 2014. It was noted that the maximum total working hours was 2120 hours which was within 2432 allowable total working hours, giving room for an additional month of work.

**Observation:**

<table>
<thead>
<tr>
<th>Description of observation:</th>
<th>Objective evidence observed:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local law or ETI requirement:</td>
<td></td>
</tr>
<tr>
<td>Comments:</td>
<td></td>
</tr>
</tbody>
</table>

**Good Examples observed:**

<table>
<thead>
<tr>
<th>Description of Good Example (GE):</th>
<th>Objective Evidence Observed:</th>
</tr>
</thead>
</table>

**Working hours analysis**

*Please include time period e.g. hour/week/month*  
(Go back to Key information)

**Systems & Processes**

<table>
<thead>
<tr>
<th>A. What timekeeping systems are used: time card etc.</th>
<th>Describe: Electronic attendance system. Workers fill in cards by hand and entered into an electronic attendance system by HR.</th>
</tr>
</thead>
</table>
| B. Sample Size Checked (State number of worker records checked and from which weeks/months and type – should be current, peak and random/low. See SMETA Best Practice Guidance) | 42 samples from Dec 2013 (peak)  
42 samples from May 2014  
42 samples from Nov 2014 (current) |
| C. Do ALL workers have contracts/employment agreements? | Yes  
No  
If NO, state which type of workers do NOT have contracts: |

**Remark:**

1. Payroll records from 1st December 2013 – 30th November 2014 and attendance records from 1st December 2013 – 30th November 2014 were reviewed.
After reviewing the contracts of all workers employed during 2014, it was noticed that 2 workers did not have contracts.

<table>
<thead>
<tr>
<th>D: Are standard/contracted working hours defined in all contracts/employment agreements?</th>
<th>☑ Yes</th>
<th>☐ No</th>
<th>If NO, please state which type of workers do NOT have standard hours defined in contracts/employment agreements.</th>
</tr>
</thead>
<tbody>
<tr>
<td>E: Are there any other types of contracts/employment agreements used?</td>
<td>☑ Yes</td>
<td>☐ No</td>
<td>If YES, Please complete as appropriate: ☐ 0 hrs ☐ Part time ☐ Variable hrs ☐ Other</td>
</tr>
</tbody>
</table>

If “Other”, Please define:

**Standard/Contracted Hours worked**

<table>
<thead>
<tr>
<th>F: Do standard/contracted standard hours ever exceed the law or 48 hours per week?</th>
<th>☑ Yes</th>
<th>☐ No</th>
<th>If YES give details and comparison (local law/48 hrs week)</th>
</tr>
</thead>
</table>

G: What are the actual standard/contracted hours worked in sample (State per week/month)

|   | Highest hours: 40 hrs/week | Lowest hours: 40 hrs/week |

H: Any local waivers/local law or permissions which allow averaging/annualised hours for this site?

<table>
<thead>
<tr>
<th></th>
<th>☑ Yes</th>
<th>☐ No</th>
<th>If YES, Please give details</th>
</tr>
</thead>
</table>

The factory obtained one Comprehensive Working Hours System approval from local labour bureau, the approved implementation period was 1 year from 1st January 2014 to 31st December 2014, and the total working hours allowed was 2432 hours [2000 (250 days x 8 hours) plus 432 (36 overtime hours x 12 months)]. In this audit, 5 workers had been selected to check their total annual working hours from 1st January 2013 to 30th November 2013. It was noted that the maximum total working hours was 2120 hours which was within 2432 allowable total working hours, giving room for an additional month of work.

**Overtime Hours**

<table>
<thead>
<tr>
<th>I: Actual overtime hours worked in sample (State per day/week/month)</th>
<th>Highest OT hours: 80 hours/month in December 2013 (Peak) 36 hours/month in May 2014 70 hours/month in November 2014 (Current)</th>
</tr>
</thead>
</table>

Overtime Hours
### Lowest OT hours:

- 0 hours/month in December 2013
- 0 hours/month in May 2014
- 0 hours/month in November 2014

### J: Range of overtime hours over all workers/or as large a sample as possible.

- 0 – 80 hours/month in December 2013 (Peak)
- 0 – 36 hours/month in May 2014
- 0 – 70 hours/month in November 2014 (Current)

### K: Approximate percentage of workers on highest overtime hours

- 15%

### L: Is overtime voluntary?

- Yes
- No
- Conflicting Information

### Overtime Premiums

- Is overtime paid at a premium?
  - Yes
  - No

Please give details of normal day overtime premium as a % of standard wages:

- 0%
- Up to 115%
- 116 – 124%
- 125 – 149%
- 150 – 199%
- 200%+

Any other comments: Minimum wage rather than actual standard wage is used as base for OT wages (150% of minimum wages is paid).

### N: ETI Code requires a prevailing standard to give greatest worker protection.

- If a site pays less than 125% OT premium and this is allowed under local law, are there other considerations? Please complete the boxes where relevant. Multi select is possible.
  - No
  - Consolidated pay (May be standard wages above minimum legal wage, with no/low overtime premium)
  - Collective Bargaining agreements
  - Other

Please explain any checked boxes in N above e.g. detail of consolidated pay CBA or Other.

### Rest Days

- Are workers provided with 1 day off in every 7–day period, or 2 in 14–day period (where the law allows)?
  - Yes
  - No

Maximum number of days worked without a day off (in sample):

- 6 days

### Total Hours

Comment [Sedex67]: Auditor must state whether per day/week/month

Comment [Sedex68]: Multi-select is possible. If different OT rates are used please give details.

Comment [Sedex69]: This field is only applicable if site pays less than 125% OT.
P: Range of total hours:
(Quote highest and lowest please include time period e.g. hour/week/month)

<table>
<thead>
<tr>
<th>Highest total hours</th>
<th>174 + 80 (OT) hours in December 2013/month = 254 (W2=65 hrs, W3=65 hrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>174 + 36 (OT) hours in May 2014/month = 210 (W2=65 hrs, W3=65 hrs)</td>
</tr>
<tr>
<td></td>
<td>174 + 70 (OT) hours in November 2014/month = 244 (W3=65 hrs, W4=65 hrs)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lowest total hours</th>
<th>174 hours in December 2013/month</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>174 hours in May 2014/month</td>
</tr>
<tr>
<td></td>
<td>174 hours in November 2014/month</td>
</tr>
</tbody>
</table>

Q: If more than 60 total hours per week and this is legally allowed, are there other considerations? Please complete the boxes where relevant. Multi select is possible.

- ☐ Overtime is voluntary
- ☐ Onsite Collective bargaining allows 60+ hours/week
- ☐ Safeguards are in place to protect worker's health and safety
- ☐ Site can demonstrate exceptional circumstances
- ☐ Other reasons

Please explain any checked boxes in R above

The site does follow the local waiver, however, no CBA/no extra protection and no exceptional circumstances (other than peak season); please see NC2 in clause 6.

Comments:
(please state here any specific reasons/circumstances that explain the highest working hours)

The above hours’ information is based on the attendance and payroll records provided by the factory. It is only for reference since the minimum wage, overtime wage and working hours could not be accurately verified in this audit.

**THIS HAS ALSO BEEN RECORDED AS A NON COMPLIANCE IN SECTION 0 MANAGEMENT SYSTEMS**

Please add details of examples where the site has demonstrated “exceptional circumstances”. Management stated that order delivery times by customers made it difficult to avoid high over time hours at peak season.

Please give details of any appropriate safeguards in place at the time of the 60+ hours working. None present.
7: No Discrimination is Practiced

ETI
7.1 There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

Current Systems and Evidence Examined

To complete ‘current systems’ Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:
As informed by interviewed workers, most employees spoke highly of the factory owner. No worker was required to do the examination of the hepatitis B virus and HIV. No worker was required to do the examination of the hepatitis B virus and HIV.
There were two issues of discrimination found in site practises, based on sex and age, see NC's below.

Anti-discrimination procedure on hiring, compensation, promotion and access to training is not available during the audit, please see NC below.
Gender divisions did not exist in the factory; both female and male workers were distributed in all types of work. Gender divisions did not exist in the factory; both female and male workers were distributed in all types of work. There was an internal grievance process; however, only 17 of the interviewees (40%) were aware of the grievance channels in case they encountered any discrimination cases, see observation in clause 9.

There was no evidence of sexual harassment.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):
The hiring and termination procedure, leave application records and employee handbook.
Payrolls
Attendance records
Termination records
Training records

Non-compliance:

1. Description of non-compliance:

☑ NC against ETI/Additional Elements
☐ NC against Local Law

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.

ETI requirement:
ETI Requirement: 7.1 there is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

Objective evidence observed:
(where relevant please add photo numbers)
1. Per recruitment poster, site tour, worker interview and management interview.
### Recommended Corrective Action:
It is recommended that management adopt practices and recruitment policy to ensure that labours are not discriminated against in employment, regardless of age.

#### 2. Description of non-compliance:
- **NC against ETI/Additional Elements**
- **NC against Local Law**

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 2014. A total of 15 women had had 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.

**Local law or ETI requirement:**
ETI Requirement: 7.1 there is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

**Recommended corrective action:**
It is recommended that the facility should stop this practice to avoid any discrimination on employees.

**Timescale:** 0 day

**Remark:**
The management of the audited facility explained that they accepted the health examination report and health license and that the health examination result did not decide whether or not accepted, however, they could not explain why a pregnant women had not been given a job.

#### 3. Description of non-compliance:
- **NC against ETI/Additional Elements**
- **NC against Local Law**

Anti-discrimination procedure on hiring, compensation, promotion and access to training is not available during the audit.

**Local law or ETI requirement:**
ETI Code 7.1: There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

**Recommended corrective action:**
The procedure shall be developed and communicated to workers through document and training.
### Observation:

<table>
<thead>
<tr>
<th>Description of observation:</th>
<th>Objective evidence observed:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The production worker competence level scheme and allocation process is complicated, little described and questioned for transparency by workers. However, auditor could not verify that any discrimination had actually taken place.</td>
<td>During Site Interview and production worker competence level scheme review</td>
</tr>
</tbody>
</table>

#### Local law or ETI requirement:
ETI 7.1 There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

#### Comments:
More detailed description (as more experience is gained) of the competence levels, required for promotion is suggested.

### Good Examples observed:

<table>
<thead>
<tr>
<th>Description of Good Example (GE):</th>
<th>Objective Evidence Observed:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. There was evidence of both male and female workers in senior manager’s position at the site and head office.</td>
<td>Workers and managers interviews, personnel files</td>
</tr>
</tbody>
</table>
8: Regular Employment Is Provided

**ETI**

8.1 To every extent possible work performed must be on the basis of recognised employment relationship established through national law and practice.

8.2 Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour–only contracting, sub–contracting, or home–working arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed–term contracts of employment.

**Current Systems and Evidence Examined**

To complete ‘current systems’ Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

**Current systems:**

All employees were recruited by the factory directly. No labour agency was used to hire workers. No temporary worker, apprenticeship schemes or home worker was identified by the auditors.

3 subcontractors were used, this was not communicated to client (please see clause 8A)

A small number of workers had not received a signed labour contract, please see NC below.

**Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):**

- The hiring and termination practises (not formalised)
- Personal files
- Payroll records were provided for review.

**Non–compliance:**

<table>
<thead>
<tr>
<th>Description of non-compliance:</th>
</tr>
</thead>
<tbody>
<tr>
<td>☒ NC against ETI/Additional Elements</td>
</tr>
</tbody>
</table>

Random checked 42 workers’ labour contract, it was noted one worker was recruited in April 2014 and one worker was recruited in May 2014 but they both signed contract on 1st September 2014. The factory would normally sign labour contract with new recruited workers within one month after the recruitment, however, the procedure is not effective, and some workers are not given a contract until they notified the management of this. Management explain they do a once a year (before Chinese New Year to make sure all workers have contract).

A review of all workers employed since Jan 2014 (30) showed that 3 more employees had not received a contract within one month of their joining the site, however they had received after three months (in may), and so only two employees now lacked contacts.

<table>
<thead>
<tr>
<th>Local law or ETI requirement:</th>
</tr>
</thead>
</table>

In accordance with the PRC Employment Contract Law article 10, a written employment contract shall be signed by both parties not later than one month after the worker begins work.

<table>
<thead>
<tr>
<th>Objective evidence observed:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(where relevant please add photo numbers)</td>
</tr>
<tr>
<td>1. Worker contracts, worker interview, Management interview.</td>
</tr>
</tbody>
</table>
contract shall be concluded at the establishment of an employment relationship. Where an employment relationship has already been established, a written employment contract shall be concluded within one month from the date of start of employment.

ETI 8.1 To every extent possible work performed must be on the basis of recognised employment relationship established through national law and practice.

**Recommended corrective action:**
It is recommended that the facility should sign labour contracts with the employees within one month of the start of the working relationship.

**Timescale:** 30 days

### Observation:

**Description of observation:**
A recruitment policy and procedure is to be developed in order to formalise the current practice. At present all recruitment is co-ordinated by the HR department who have committed to develop this.

**Local law or ETI requirement:**
8.1 To every extent possible work performed must be on the basis of recognised employment relationship established through national law and practice.

**Comments:**
Factory discussed formalising their practice into a communicated policy and including this in their training of all staff on their policies.

### Good Examples observed:

**Description of Good Example (GE):**

1. Bilingual contracts used for migrant workers
2. Employee programs – “People Engagement Survey” identifying specific areas for improvement and evaluation of the Team leadership and mgmt. of the company
3. Phone numbers of three managerial staff have been shown in banners in different production areas for facilitating complaint system and communication between frontline staff and top management.

**Objective Evidence Observed:**

1. Contract review
2. Survey findings review for 2014 and staff discussions
3. Site tour
8A: Sub–Contracting and Homeworking

(Click here to return to NC–table)
(Click here to return to Key Information)

8A.1. There should be no sub–contracting unless previously agreed with the main client.
8A.2. Systems and processes should be in place to manage sub–contracting, homeworking and external processing.

Note to auditor on homeworking:
Report on whether it is direct or via agents. How many workers, relationship with site and what control systems are in place.

Current Systems and Evidence Examined

To complete ‘current systems’ Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

- A site tour showed that not all production processes were present in the unit
- Some hand assembly is done outside at small subcontractor units who are well known to the main site
- The relationship between the main site and its subcontractors has been over many years
- The main site uses 3 main subcontractors
- The subcontract factory is paid by the piece returned but the main factory do not have total visibility of the conditions of the subcontract units
- The main factory has QC’s who visit the subcontract units on a regular basis to both inform on the quality required and inspect stock before despatch
- They examine and advise the units on health and safety
- There is no mechanism in place for monitoring the subcontract units for agreement with laws or the code
- The main factory has had no discussions with the subcontract units on an ethical policy.
- The management claimed they were not aware of the need to inform their customers of the use of subcontractors used only for external processing. They understood that as they were responsible for producing the components and inspection and finishing /packing of goods, the customer did not require knowledge of the external process of assembly.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

- Site tour (Calculation on total production and estimated capacity)
- Materials in/out records
- Management interview
- Worker interview

If any processes are sub–contracted – please populate below boxes

<table>
<thead>
<tr>
<th>Process Subcontracted</th>
<th>Process 1: Assembly of soft toys</th>
<th>Process 2: Assembly of plastic toys</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of factory</td>
<td>Unit AAAAAA</td>
<td>Unit BBBBBBBB</td>
</tr>
<tr>
<td>Address</td>
<td>Address XXXXXXXXXXXXXX</td>
<td>Address: YYYYYYYYYYYYY</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Process Subcontracted</th>
<th>Process 3: Moulding of plastic toys</th>
<th>Process 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of factory</td>
<td>Unit CCCCCCCC</td>
<td></td>
</tr>
<tr>
<td>Address</td>
<td>Address: ZZZZZZZZZZZ</td>
<td></td>
</tr>
</tbody>
</table>

Comment [Sedex70]: Please note – never put ‘Not Applicable’, rather state ‘there were no outside processes or subcontracting’ for this section. Especially for garment factories check if any processes are missing, if any partially finished goods are in goods out/in.

Comment [Sedex71]: If no sub-contracting or homeworking is used, please remove these tables.
Non-compliance:

1. Description of non-compliance:
- NC against ETI/Additional Elements
- □ NC against Local Law

From interviews with the management and workers the main client has not been informed of the subcontracting at this site.

It was noted that 3 subcontractors were used by the facility.

1. Subcontractor name: Toy Factory 1
   Address: No 2 Road 2. China Industry Zone
   Province, China.
   Contact name: Mr. XXX
   Tel: 00-0000000000
   Subcontractor process: Assembly of soft toys

2. Subcontractor name: Toy Factory 2
   Address: No 3 Road 2. China Industry Zone
   Province, China.
   Contact name: Mr. ZZZ
   Tel: 11111111111
   Subcontractor process: Assembly of plastic toys

3. Subcontractor name: Plastic Factory 1
   Address: No 4 Road 2. China Industry Zone
   Province, China.
   Contact name: Mr. YYY
   Tel: 2222222222
   Subcontractor process: Moulding of plastic toys

Local law and/or ETI/Additional Elements requirement:
SMETA additions: 8A.1. There should be no sub-contracting unless previously agreed with the main client.

Recommended corrective action:
The site must make their main client aware of the sub-contracting units used for hand assembly.

Recommended actioner: Factory Manager
Timescale: 30 days

2. Description of non-compliance:
- □ NC against ETI/Additional Elements
- □ NC against Local Law

From interviews with management there is no system in place to manage and monitor the working conditions at the sub-contractors. There is no communication to the sub-contract units concerning the ethical code of the main client or of the sites’ own code and policies.

Although QC personnel from the main factory visit the subcontract factories, there is no knowledge of the hours, wages and benefits paid to the subcontract workers.

Local law and/or ETI requirement:
SMETA Addition: 8A.2. Systems and processes should be in place to manage sub-
contracting, homeworking and external processing.

**Recommended corrective action:**
The site should make sub-contractors aware of the Ethical code and implement a system to monitor.

**Recommended actioner:** Factory Manager

**Timescale:** 30 days

<table>
<thead>
<tr>
<th>Observation:</th>
<th>Objective evidence observed:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description of observation:</strong> There is no formal contract with some sub-contractors, site has worked with the same sub-contractors over a long time, and has not seen a need for a formalised contract as the relationship has always been good; however, they are currently in the process of formalising the subcontracting and set up a written contract (on-going).</td>
<td>Management interview, Management system documentation review.</td>
</tr>
<tr>
<td><strong>Local law or ETI/Additional elements requirement:</strong> 8A.2. Systems and processes should be in place to manage sub-contracting, homeworking and external processing.</td>
<td></td>
</tr>
<tr>
<td><strong>Comments:</strong> Formalize contract with sub-contractors including control system</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Good Examples observed:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description of Good Example (GE):</strong></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
**Summary of sub–contracting – if applicable**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
</table>
| A: If sub–contractors are used, is there evidence this has been agreed with the main client? | ☐ Yes  
☐ No  
If Yes, summarise details: |
| B: Number of sub–contractors/agents used | 3 |
| C: Is there a site policy on sub–contracting? | ☐ Yes  
☐ No  
If Yes, summarise details: |
| D: What checks are in place to ensure no child labour is being used and work is safe? | Currently sub-contractors are not being managed by the site, there are no checks on whether children are present and customers are also unaware of the sub-contracting processes. QC visits do give some health and safety advice |
| E: What processes are sub–contracted? | • Assembly of soft toys  
• Assembly of plastic toys |

**Comment [Sedex72]:** If no sub-contracting or homeworking is used, please ignore these table i.e. do not complete this table.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
</table>
| F: If homeworking is being used, is there evidence this has been agreed with the main client? | ☐ Yes  
☐ No  
If Yes, summarise details: |
| G: Number of homeworkers | Male:  
Female:  
Total: |
| H: Are homeworkers employed direct or through agents? | ☐ Directly  
☐ Through Agents |
| I: If through agents, number of agents |   |
| J: Is there a site policy on homeworking? | ☐ Yes  
☐ No  
If Yes, summarise details: |
| K: How does site ensure worker hours and pay meet local laws for homeworkers? |   |
| L: What processes are carried out by homeworkers? |   |
| M: Are written agreements in place for homeworkers that include regular employment? | ☐ Yes  
☐ No |

**Comment [Sedex73]:** This cannot be 'Not Applicable'. It's not a problem if there is no policy and no sub-contracting.
<table>
<thead>
<tr>
<th>N: Are full records available at the site?</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

9: No Harsh or Inhumane Treatment is Allowed

ETI

9.1 Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation be prohibited.

Current Systems and Evidence Examined

To complete 'current systems' Auditors, examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is /are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:

According to the documentation, the factory management had established a disciplinary procedure for workers’ misbehaviour which included oral warning, written warning and finally termination and the site, had developed a training program for all employees on the procedure. Worker interview confirmed that workers were aware of the disciplinary procedure As per management interview, document review and workers interview, there was a policy on Harsh Treatment, however, there was one example of where workers would be punished if they broke factory rules – please see NC below.

There is an internal process for grievance, which is an anonymous email address, where workers can report any grievances (harassment, bullying, discrimination etc.); any received complaint will be handled by management, without any reprisal for the worker in question. However, this system was recently installed, and more than half of the workers did not know about this. See observation below.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):

- The relevant policy on prevention of harassment and abuse
- Internal grievance procedure documentation.
- Training records

Non–compliance:

1. Description of non–compliance:
   - Description of non-compliance:
     - NC against ETI/Additional Elements
     - NC against Local Law

   ETI requirement:

   Recommended corrective action:

   Objective evidence observed:
   (where relevant please add photo numbers)
### Observation:

1. **Description of observation:**
   Per factory policy review, it was noted that employees in all workshops would be punished to clean up applicable workshop if they violated factory rules and gained a written warning letter.

   **ETI requirement:**
   9.1 Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation be prohibited.

   **Comments:**
   Factory management represented that they only established this rule in the employee handbook to catch employees’ attention and better manage employees. This practice was not adopted since the rule established till now.

2. **Description of observation:**
   Training materials on attitude and discipline as well as the disciplinary procedure were available; however records of training attendance were not kept.

   **Local law or ETI requirement:**
   ETI 9.1 Code: Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation be prohibited.

   **Comments:**
   Management felt this was an area which they could implement.

3. **Description of observation:**
   Site has an anonymous email address, where workers can report any grievances; any received complaint will be handled by management, without any reprisal for the worker in question. However recommend that this is better communicated as it was not known for 60% of the sampled workers.

   **Local law or ETI/Additional elements requirement:**
   10C.7 Suppliers should have a transparent system in place for confidentially reporting, and dealing with grievances without fear of reprisals towards the reporter.

   **Comments:**
   Site is recommended to communicate the reporting process to their workers through training and posters.

### Good Examples observed:

- **Description of Good Example (GE):**
- **Objective Evidence Observed:**
  1. Per management interview and factory policy review.
  2. Training materials review and review of disciplinary policy.
  3. E-mail account review, Management interview and worker interview.
10. Other Issue areas: 10 A: Entitlement to Work and Immigration

Additional Elements
10A1 Only workers with a legal right to work shall be employed or used by the supplier.
10A2 All workers, including employment agency staff, must be validated by the supplier for their legal right to work by reviewing original documentation.
10A3 Employment agencies must only supply workers registered with them.
10A4 The supplier shall implement processes to enable adequate control over agencies with regards the above points and related legislation.

Current Systems and Evidence Examined
To complete ‘current systems’ Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:
Per document review, factory management representation and worker interview, all workers in the factory were Chinese, there were around 80% employees that were migrant workers which came from other provinces of Guangdong province (mainly from Sichuan, Yunnan and Guangxi). 20% were local workers. All workers had the proper legal rights to work in this region. The youngest age was 16 years old. All of them were recruited directly by the factory and no agency was involved in factory’s recruitment processes.

No agency staff or foreign worker was used by the factory.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):
• Hiring procedure
• Personnel files
• Worker handbook

Non-compliance:

1. Description of non-compliance:
   - NC against ETI/Additional Elements
   - NC against Local Law

   Local law and/or ETI/Additional Elements requirement:
   - Recommended corrective action:

2. Description of non-compliance:
   - NC against ETI/Additional Elements
   - NC against Local Law

   Local law and/or ETI/Additional Elements requirement:
   - Recommended corrective action:

Comment [Sedex75]: Agency workers (e.g. canteen staff, cleaners, security staff and other workers) are also part of this audit and you need to check their personnel files and wages/hours too. Please ensure that the current status answer matches the elements above. Especially how was this checked and what were the findings.
<table>
<thead>
<tr>
<th>Observation:</th>
<th>Objective evidence observed:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description of observation:</strong></td>
<td></td>
</tr>
<tr>
<td>Local law or ETI/Additional Elements requirement:</td>
<td></td>
</tr>
<tr>
<td>Comments:</td>
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<table>
<thead>
<tr>
<th>Good examples observed:</th>
<th></th>
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<tbody>
<tr>
<td><strong>Description of Good Example:</strong></td>
<td></td>
</tr>
<tr>
<td>Local law or ETI/Additional Elements requirement:</td>
<td></td>
</tr>
<tr>
<td>Comments:</td>
<td></td>
</tr>
</tbody>
</table>
B.4. Compliance Requirements

10B4.1 Suppliers as a minimum must meet the requirements of local and national laws related to environmental standards.

10B4.2 Where it is a legal requirement, suppliers must be able to demonstrate that they have the relevant valid permits including for use and disposal of resources e.g. water, waste etc.

10B4.3 The supplier shall be aware of their end client’s environmental standards/code requirements and have a system in place to monitor their performance against these.

B4. Guidance for Observations

10B4.4 Suppliers should have completed the appropriate section of the SAQ and made it available to the auditor.

10B4.5 Suppliers should have an environmental policy, covering their environmental impact, which is communicated to all appropriate parties, including its own suppliers.

10B4.6 Suppliers shall be aware of the significant environmental impact of their site and its processes.

10B4.7 The site should measure its impacts, including continuous recording and regular reviews of use and discharge of natural resources e.g. energy use, water use (see 4–pillar audit report and audit checks for details).

10B4.8 Suppliers shall seek to make continuous improvements in their environmental performance.

10B4.9 Suppliers shall have available for review any environmental certifications or any environmental management systems documentation.

10B4.10 Suppliers should have a nominated individual responsible for coordinating the site’s efforts to improve environmental performance.

10B4.11 Has the site recently been subject to (or pending) any fines/prosecutions for noncompliance to environmental regulations.

Note for auditors and readers. This environment section is intended to take not more than 0.25 auditor days. It is an assessment only and the main requirement is to establish whether a site is meeting applicable environmental laws and/or has any certifications or environmental management systems in place. Following this assessment the client/supplier may decide a full environmental audit is required (see also best practice guidance/environment and guidance for auditor)

Current Systems and Evidence Examined

To complete ‘current systems’ Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is/are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:
The factory management maintained all legally required environmental documents (except for hazardous waste entrust disposal contract – see NC below) in place which proved that the production of the factory was in compliance with the related environmental regulations.

Most of the legally required certificates including the registration form of environmental impacts of the construction, Approval of environmental impact assessment document and the environmental protection check and acceptance were available and valid during this audit. The annual monitoring report for waste air and water showed the pollutant discharging was compliance with environmental law. Based on observation on site, wastes were classified and collected on site.

Based on workers interview, they were trained on environmental protection.
Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):
All legally required environmental documents were provided for review.
- Environmental policy
- Energy bills
- Water bill
- Textile waste transfer documentation
- Renewal energy specification
- Worker and management interview.
- Site tour

Non-compliance:

1. Description of non-compliance:

- NC against ETI/Additional Elements
- NC against Local Law

It was noted that the hazardous wastes, including empty painting containers and oily rags, were generated from spray painting and moulding workshop. However, the factory management was unable to provide a hazardous waste disposal contract.

Local law and/or ETI/Additional Elements requirement:

Local Law: In accordance with Article 57 of Law of the People’s Republic of China on Prevention and Control of Solid Waste Pollution, operation permits for collecting, storing and disposing hazardous waste must be obtained by the operation units from the local environmental bureau. Engaging in collection, storage, and treatment of hazardous waste without a business license is prohibited.

10B4.2. Where it is a legal requirement, suppliers must be able to demonstrate that they have the relevant valid permits including for use and disposal of resources e.g. water, waste etc.

Recommended corrective action:

It is recommended that the hazardous waste should be submitted to a collector, which has obtained a relevant business permit.

Objective evidence observed:

(Where relevant please add photo numbers)
1. Per factory tour and management interview

Observation:

Description of observation:

It was found that some environmental documentation was missing:
- Site has not completed the SAQ (including environmental information)
- Site has an environmental policy; however, this focuses on water and energy usage, excluding waste and chemical management.
- Site does not have a documentation process to record hazardous chemicals used in the manufacturing process

Local law or ETI/Additional elements requirements:

10B4.4. Suppliers should have completed the appropriate section of the SAQ and made it available to the auditor.
10B4.5. Suppliers should have an environmental policy, covering their environmental impact, which is communicated to all appropriate parties, including its own suppliers.

Objective evidence observed:

Environmental policy review, Management interview.
1084.6. Suppliers shall be aware of the significant environmental impact of their site and its processes.

**Comments:**
Site was in the process of finishing the SAQ, and an update of the environmental policy and relevant management processes (waste and chemicals) was planned for next month.

<table>
<thead>
<tr>
<th>Good examples observed:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of Good Example (GE):</td>
</tr>
</tbody>
</table>
## Environmental Analysis

(Site declaration only – this has not been verified by auditor. Please state units in all cases below.)

<table>
<thead>
<tr>
<th>A: Responsible for Environmental issues (Name and Position):</th>
<th>Mr EEE, Factory Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>B: Does the site have a recognised environmental system certification such as ISO 14000 or equivalent? Please detail.</td>
<td>☐ Yes ☒ No</td>
</tr>
<tr>
<td>Details:</td>
<td></td>
</tr>
<tr>
<td>C: Does the site have an Environmental policy? (For guidance, please see Measurement criteria)</td>
<td>☒ Yes ☐ No</td>
</tr>
<tr>
<td>Details:</td>
<td>The environmental policy did not include hazardous chemicals used and waste management, it focused only on energy and water use (See observation).</td>
</tr>
<tr>
<td>D: Does the site have a Biodiversity policy? (For guidance, please see Measurement criteria)</td>
<td>☐ Yes ☐ No</td>
</tr>
<tr>
<td>E: Is there any other sustainability systems present such as Chain of Custody, Forest Stewardship Council (FSC), and Marine Stewardship Council (MSC) etc.? Please detail. (For guidance, please see Measurement criteria)</td>
<td>☐ Yes ☐ No</td>
</tr>
<tr>
<td>Details:</td>
<td>Site does not have any environmental certifications.</td>
</tr>
<tr>
<td>F: Have all legally required permits been shown? Please detail.</td>
<td>☐ Yes ☐ No</td>
</tr>
<tr>
<td>Details:</td>
<td>No details of what happens with hazardous waste, please see NC in clause above</td>
</tr>
<tr>
<td>G: Is there a documentation process to record hazardous chemicals used in the manufacturing process?</td>
<td>☐ Yes ☐ No ☐ N/A</td>
</tr>
<tr>
<td>Details:</td>
<td>Site has not yet formalised a documentation process for hazardous chemicals used, however, they are in the process of creating this (see observation).</td>
</tr>
<tr>
<td>H: Is there a system for managing client’s requirements and legislation in the destination countries regarding environmental and chemical issues?</td>
<td>☒ Yes ☐ No</td>
</tr>
<tr>
<td>Details:</td>
<td>This is included in the site’s internal management system.</td>
</tr>
</tbody>
</table>

### Usage/Discharge analysis

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Current year: Please state period: 2013-2014 (Dec – Nov)</th>
<th>Previous Year: Please state period: 2012-2013 (Dec – Nov)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity Usage: kWh (kilo watt hours)</td>
<td>7900000 kWh</td>
<td>8100000 kWh</td>
</tr>
<tr>
<td>Renewable Energy Usage: kWh</td>
<td>1300 kWh solar energy and wind energy</td>
<td>1200 kWh solar energy and wind energy</td>
</tr>
<tr>
<td>Gas Usage:</td>
<td>5000 kWh</td>
<td>7000 kWh</td>
</tr>
<tr>
<td>Kwhrs</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----</td>
<td>----</td>
</tr>
<tr>
<td>Has site completed any carbon Footprint Analysis?</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>If Yes, please state result</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Sources:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Please list all sources e.g. lake, river, and local water authority.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• From water supply company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Volume Used:</td>
<td>37000 m³</td>
<td>40000 m³</td>
</tr>
<tr>
<td>Water Discharged:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Please list all receiving waters/recipient.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Municipal sewage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Volume Discharged:</td>
<td>22000 m³</td>
<td>25000 m³</td>
</tr>
<tr>
<td>Water Volume Recycled:</td>
<td>N/A no facility for water recycling at this site</td>
<td>N/A no facility for water recycling at this site</td>
</tr>
<tr>
<td>Total hazardous waste Produced (please state units)</td>
<td>20 ton</td>
<td>27 ton</td>
</tr>
<tr>
<td>Waste to Recycling:</td>
<td>Textile waste: 25 ton to textile recycling factory Domestic waste: 70 ton to energy recycling</td>
<td>Textile waste: 20 ton to textile recycling factory Domestic waste: 80 ton to energy recycling</td>
</tr>
<tr>
<td>Waste to Landfill:</td>
<td>235 ton to XXX Environmental Protection Co., Ltd. and municipal waste dispose position</td>
<td>260 to XXX Environmental Protection Co., Ltd. and municipal waste dispose position</td>
</tr>
<tr>
<td>Total Product Produced (please state units)</td>
<td>50 000 units</td>
<td>48 000 units</td>
</tr>
</tbody>
</table>
10C. Guidance for “Observations”

10C.1. Suppliers should have completed the appropriate section of the SAQ and have made it available to the auditor.

10C.2. The supplier should have received and acknowledged—preferably in writing—the Business Ethics policy of the auditor/audit company.

10C.3. Suppliers shall seek to conduct their business ethically without bribery, corruption, or any type of fraudulent Business Practice.

10C.4. Suppliers shall be aware of any applicable laws, their end client’s Business Ethics standards/code requirements and have a system in place to monitor their performance against these.

10C.5. Supplier should have a Business Ethics policy concerning bribery, corruption, or unethical Business Practice. This should be clearly communicated to all relevant parties.

10C.6. Suppliers should have a designated person responsible for implementing standards concerning Business Ethics.

10C.7. Suppliers should have a transparent system in place for confidentially reporting, and dealing with unethical Business Ethics without fear of reprisals towards the reporter.

10C.8. Suppliers should ensure that the staff whose job roles carry a higher level of risk in the area of ethical Business Practice e.g. sales, purchasing, logistics are trained on what action to take in the event of an issue arising in their area.

Note for auditors and readers. This Business Ethics section is intended to take not more than 0.25 auditor days. It is an assessment not an audit and the main requirement is to gather information on the relevant Business Ethics issues in a supply chain. All findings will be recorded as observations not Non-Compliances and the data collected will allow the membership to define appropriate standards over time as part of a continuous review process.

Current Systems and Evidence Examined

To complete ‘current systems’ Auditors examine policies and written procedures in conjunction with relevant managers, to understand, and record what controls and processes are currently in place e.g. record what policies are in place, what relevant procedures are carried out, who is /are responsible for the management of this item of the code. Evidence checked should detail any documentary or verbal evidence shown to support the systems.

Current systems:
The company manager was the designated person responsible for implementing standards concerning Business Ethics, and that site practices were conducted without any corruption and/or bribery.
The company established a business ethics policy which was communicated to workers through posters and training.
The site had received and read the Business Ethics policy of the auditor/audit company.
There is an internal grievance process, which is an anonymous email address, please see clause 9.

Evidence examined – to support system description (Documents examined & relevant comments. Include renewal/expiry date where appropriate):
The company business ethics policy including
- Bribery
- Corruption
Training records
Worker handbook
Reports from Anonymous email account
### Observation

<table>
<thead>
<tr>
<th>Description of observation:</th>
<th>Objective evidence observed:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site had not finished the SAQ, however this was under processing</td>
<td>1. Management interview</td>
</tr>
</tbody>
</table>

**Local law or ETI/Additional elements requirement:**

10C.1. Suppliers should have completed the appropriate section of the SAQ and have made it available to the auditor.

**Comments:**

Site had not been able to finish the SAQ before the audit, however, site management were in the process of finishing the SAQ. Please see clause 0: Management Systems.

### Good examples observed:

<table>
<thead>
<tr>
<th>Description of Good Example (GE):</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Objective Evidence Observed:</th>
</tr>
</thead>
</table>
## Worker Interview Summary

<table>
<thead>
<tr>
<th>A: Were workers aware of the audit?</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>B: Were workers aware of the code?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>C: Number of group interviews:</td>
<td>5 workers in 6 groups (30)</td>
<td></td>
</tr>
<tr>
<td>(Please specify number and size of groups. Please see SMETA Best Practice Guidance)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D: Number of individual interviews</td>
<td>Male: 4</td>
<td>Female: 8</td>
</tr>
<tr>
<td>(Please see SMETA Best Practice Guidance)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E: Total number of interviewed workers</td>
<td>Male: 18</td>
<td>Female: 24</td>
</tr>
<tr>
<td>(Please see SMETA Best Practice Guidance)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F: Interviews were done in private and the confidentiality of the interview process was communicated to the workers?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>G: In general, what was the attitude of the workers towards their workplace?</td>
<td>Favourable</td>
<td></td>
</tr>
<tr>
<td>Non-favourable</td>
<td>Indifferent</td>
<td></td>
</tr>
<tr>
<td>H: What was the most common worker complaint?</td>
<td>All workers interviewed had a positive attitude to management and site, the only complaint was that matters raised at the workers committee meeting had not been acted on.</td>
<td></td>
</tr>
<tr>
<td>I: What did the workers like the most about working at this site?</td>
<td>Working environment, food and transport benefits</td>
<td></td>
</tr>
<tr>
<td>J: Any additional comment(s) regarding interviews:</td>
<td>Most workers enjoyed working at this factory, they felt they had sufficient work and had a good relationship with management in general.</td>
<td></td>
</tr>
<tr>
<td>K: Attitude of workers to hours worked:</td>
<td>Workers expressed that they sometimes wanted to work extra, to earn more money, however they could turn down overtime if they wanted.</td>
<td></td>
</tr>
</tbody>
</table>

### Agency Workers

*workers sourced from a local agent who are not directly paid by the site*

| A: Number of agencies used (average): | N/A |
| And names if available: | |
### B. Were agency workers’ age/pay/hours included within scope of this audit

- [ ] Yes
- [ ] No
- [ ] N/A

### C. Were sufficient documents for agency workers available for review?

- [ ] Yes
- [ ] No
Other findings

<table>
<thead>
<tr>
<th>Community Benefits</th>
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<tbody>
<tr>
<td>(Please list below any specific community benefits that the site management stated that they were involved in, for example, HIV programme, education, sports facilities)</td>
</tr>
</tbody>
</table>

1. The factory had a relationship with a local school and they donated their old office equipment to this school when their office equipment was replaced with new. This resulted in donations approximately every 6 months and consisted of 5 computers and printers which were still usable.
2. The factory has open days for workers friends and families when they are all invited for food and a look around the factory so they can be reassured by the working conditions of their family members.
3. The factory arranges tours of the facility for local school children who are nearing school leaving age.
Photo Form

Adding Images To help keep the size of the Report as small as possible for ease of sending and saving the document we recommend that you use Microsoft Paint to resize your photos. To do so please follow these instructions:
1) To start Microsoft Paint, click ‘Start’, ‘Programs’, ‘Accessories’, then ‘Paint’.
2) Open the image file you wish to edit.
3) Click the ‘Image’ Menu at the top and select “Stretch/Skew Image”.
4) Choose a percentage figure to resize the image: to avoid distortion, choose the same percentage for horizontal and vertical stretch. Click OK.
5) Once you have the desired size, click File > Save As… (To prevent overwriting the original image).
   Save As jpeg (this provides compression to make the file smaller).
6) Please delete this text once complete.

<table>
<thead>
<tr>
<th>Insert photo</th>
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</table>
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:

Click here for A & AB members: http://www.surveymonkey.com/s.aspx?sm=rPsbE0P052ehCo3ingS1w_3d_3d

Click here for B members: http://www.surveymonkey.com/s.aspx?sm=d3vYsCe48fre69DRq/Y_2bqa_3d_3d

Comment [Sedex77]: We'd be grateful for your feedback on this document. Please complete the following survey monkey with only five questions:

http://www.surveymonkey.com/s/XNLDKFS