



Sedex Members Ethical Trade Audit Report

Version 6.1



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

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

Commented [A1]: ZC and ZS should always be completed if audited site is a Sedex member. If not available explain why.

Commented [A2]: Auditors can request this information from the site and check it in Advance system.

Commented [A3]: For reporting and tracking reasons it is important for the business name (company name) and site name on the audit report to match with the one registered on Sedex Advance system. If the site is already registered on Sedex, it is very important that the name match to assist uploading. If the site is planning to register on Sedex, they should make sure they use the same name as they will register on Sedex.

Commented [A4]: Site name should be filled in both English and local language. Company name and site name should be consistent with the one in Sedex Advance. If the information in Sedex Advance is not accurate, the auditor should let the site correct it as soon as possible. If the site refuses to correct the information, please fill the actual information in the report, and provide a remark for the inconsistency.

Commented [A5]: Site address should be filled in both English and local language. Please fill the actual site address in here, and if the actual site address is different from the one in Business License or Sedex Advance system, please give a brief reason here.

Commented [A6]: Please select whether a 2-pillar or 4-pillar audit was conducted.

Commented [A7]: Make sure the correct audit date and audit details are also added to page footer.

Commented [A8]: This is the company who paid for the SMETA audit. If the brand retailer is paying, name should be removed for Sedex upload.

Audit Content:

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

SMETA Declaration

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

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

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

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

Lead auditor: Mr AAA, Senior Auditor APSCA number: CSCA16000001
 Lead auditor APSCA status: CSCA
 Team auditor: Miss CCC, Auditor APSCA number: RA16000002
 Interviewers: Miss CCC APSCA number: RA16000002

Report writer: Mr AAA

Report reviewer: Miss YYY, Senior Report Reviewer

Date of declaration: 26 February 2019

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

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

Commented [A9]: If ANYTHING differs from the SMETA methodology write it here with the reason why. E.g.:
 (i) An extra day more or less
 (ii) If the time spent on the audit day is more or less than the BPG recommended 9.00 to 17.00
 (iii) If you do different number of interviews or document reviews than described in the SMETA guidance.
 (iv) If you do another code of conduct in addition
 (v) If any access is denied to elements of the audit
 If additional elements are included with no increase in man-days allowed.

Commented [A10]: All auditors should be listed including any independent interviewers used. Please include job title for the auditors. APSCA number need to be provided if possible.

Commented [A11]: All reports must be reviewed – indicate name and title.

Commented [A12]: Please insert the date of the last audit day.

Summary of Findings

Issue (please click on the issue title to go direct to the appropriate audit results by clause) Note to auditor, please ensure that when issuing the audit report, hyperlinks are retained.	Area of Non-Conformity (Only check box when there is a non-conformity, and only in the box/es where the non-conformity can be found)				Record the number of issues by line*:			Findings (note to auditor, summarise in as few words as possible NCs, Obs and GE)
	ETI Base Code	Local Law	Additional Elements	Customer Code	NC	Obs	GE	
0A	Universal Rights covering UNGP		<input type="checkbox"/>	<input type="checkbox"/>		1	1	OB: Site had not communicated Policy to the workforce. GE: Human rights impact assessment completed, and links improved with local community.
0B	Management systems and code implementation		<input checked="" type="checkbox"/>	<input type="checkbox"/>	2	2	1	NC: 1. Workers were not aware of the code. 2. Wages and hours could not be verified as inconsistencies between production records and payroll. OB: 1. SAQ had not been completed. 2. Code not communicated to their own suppliers/sub-contractors GE: The factory conducted internal audits by the quality team in December 2018 and workers surveys in November 2018.
1.	Freely chosen Employment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		2	0	0	NC:

Commented [A14]: Boxes in this part of the table should only be ticked if there is a NC. If there are only Observations and Good Examples the box need not be ticked.
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, Additional Elements, Customer Code or any of them.

Commented [A16]: Please provide the brief details only – do not repeat the full findings and legal/code requirement.

Commented [A15]: Please detail the number of issues found for each code item (NCs, Observations and Good Examples).

Commented [A13]: Retaining the hyperlinks is essential to assist the reader in navigating the report. It is useful to check all hyperlinks are retained before issuing the audit report. If saving the hyperlinks is a software challenge obtain IT support.

									1. Some of the worker's files contained original documentation. 2. "Deposits" for PPE. These were not always paid back.
2	<u>Freedom of Association</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	4	1	1	NC: 1. The worker's committee present but not functioning. 2. Workers don't know reps, or how elected 3. Request from worker committee were being ignored. 4. Suggestion boxes and confidential email for grievances were not known by all workers. OB: Minutes of the worker's committee not shared. GE: Annual satisfaction survey used for improvements.
3	<u>Safety and Hygienic Conditions</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	4	1	1	NC: 1. Insufficient number of safety exits at warehouse. 2. Lack of exit sign. 3. Some workers without PPE. 4. Fire equipment was blocked. OB: Some workers reported occasional unclean toilets. GE: A library was provided freely in the dormitory.
4	<u>Child Labour</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	3	1	0	NC: 1. No registration for juvenile workers at local labour administrative. 2. No health check for all juvenile workers.

									3. Overtime work was arranged for 5 juvenile workers. OB: The minimum age policy not known by some managers.
5	<u>Living Wages and Benefits</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	4	0	1	NC: 1. Unable to verify all wages and hours owing to inconsistencies. The NCs below are records that could be verified and cross-checked. 2. Incorrect overtime rates based on minimum legal wage not normal wage. 3. 5 of the 42 workers sampled were below minimum legal wage for standard hours of 40 hrs /wk. week. 4. Insufficient social insurance. GE: Factory provides free meals and transportation for workers.
6	<u>Working Hours</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	2	0	0	NC: 1. Exceeded monthly overtime and daily overtime. 2. Working hours could not be verified- inconsistencies between production and payroll records.
7	<u>Discrimination</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	3	1	1	NC: 1. Age discrimination hiring 16-40 years only. 2. Pregnancy testing pre-hiring. 3. No anti-discrimination policy. OB: Worker testimony stated favouritism in obtaining days off. GE:

									Female workers are upskilled for supervisor and management positions.
8	<u>Regular Employment</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2	0	0	NC: 1. Some workers only got contracts after 3 months and only on request. 2. No system to manage conditions for temporary workers – hired in peak season.
8A	<u>Sub-Contracting and Homeworking</u>		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2	1	0	NC: 1. 2 subcontractors used, but the client not informed. 2. No system to monitor the working conditions at sub-contractors. OB: There were no formal contracts with some sub-contractors.
9	<u>Harsh or Inhumane Treatment</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1	0	0	NC: Cleaning duty as punishment for breaking rules.
10A	<u>Entitlement to Work</u>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	0	0	0	
10B2	<u>Environment 2-Pillar</u>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A	N/A	N/A	Not Applicable
10B4	<u>Environment 4-Pillar</u>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1	1	0	NC: 1. Factory management was unable to provide the hazardous waste transfer manifest for review. OB: Site had not completed the SAQ.
10C	<u>Business Ethics</u>		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1	0	0	NC: 1. No training on whistleblowing policy to employees or workers.

Commented [A17]: If a 2-pillar audit is conducted, please fill "N/A" for 'Environment 4-pillar' and 'Business Ethics'
If a 4-pillar audit is conducted, please fill "N/A" for 'Environment 2-pillar'.

General observations and summary of the site:

Site Summary:

The site was established in 1995 and produced plastic and soft Toys. The business is owned by Mr PPP, who had a buying office in Hong Kong. The factory has been managed by Mr EEE since 1995. It consists of 2 production units, one office building and one warehouse with a dormitory on site, which houses 50 % of the workforce, the remainder living in the town.

The 4-pillar audit was performed over 3.5 days by 2 auditors and included interviews and records inspection of 42 workers. Workers interviewed were including both male and female. All workers were favourable towards the company.

They enjoyed the work and stated it was a friendly environment. Pay was always accurate and paid on time; no issues with the payslips were noted. Also, they stated that they felt comfortable in approaching with any concerns they had.

There were several non-compliances found in the audit as per the table, specific examples include, inconsistencies in records preventing accurate verification of wages and hours, as well as issues in health and safety and freedom of association.

Commented [A18]: An opportunity for the auditor to give some general comments on the site e.g. the facility profile and general information of the audit – this is an opportunity for an auditor to give his/her view of the site. Any special situation of the site can be recorded here.

**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.*

Site Details

Site Details		
A: Company Name:	XXXX Toy Manufacturing Co., Ltd.	
B: Site name:	China Toy and Associated Products Co., Ltd.	
C: GPS location: (If available)	GPS Address: No 1 Road 2. China Industry Zone	Latitude: 31.220170 Longitude: 121.445491
D: Applicable business and other legally required licence numbers and documents, for example, business license number, liability insurance, any other required government inspections	Business License number 12345. Valid from 1st January 1995 to 1st January 2025	
E: Products/Activities at site, for example, garment manufacture, electricals, toys, grower, cutting, sewing, packing etc.	Plastic toys and soft toys	
F: Site description: (Include size, location, and age of site. Also, include structure and number of buildings)	<p>China Toy and associated products Co., Ltd. was located in No. 1 Road 2 China Industry Zone. The total land area occupied was approx. 45000 sq. meters. The facility had operated in the existing location since January 1995.</p> <p>A total of 650 employees were currently working in the facility, which includes 610 workers and 40 management. All permanent workers were hired by the facility directly. Temporary workers were hired through a local labour agent during peak season. The employees worked for 5 days a week in one shift. The normal working hour was from 8:00 to 18:00 with 2 hours for lunch time from 12:00 to 14:00. Employees' wages were calculated on hourly rate and paid on or before 10th of each month. The peak season in this facility was from October to December.</p> <p>There were two 4-storey production building, one 1-storey office building and one 1-storey warehouse. One 3-storey dormitory building occupied by approx. 300 workers and segregated by gender on different floors.</p> <p>For below, please add any extra rows if appropriate.</p>	

Commented [A19]: No limitation of the writing format of latitude and longitude.

Commented [A20]: Please show the validity dates.

Commented [A21]: Site description can be given as free text or as bullet points.

Commented [A22]: For the floor description table, please ensure all relevant points are included. Please add any extra rows if appropriate.

	Production Building no 1 – Soft toys	Description	Remark, if any
	Floor 1	Cutting workshop, Embroidering workshop	Year of establishment:1995
	Floor 2	Sewing workshop	Year of establishment:1995
	Floor 3	Assembly workshop, Ironing workshop	Year of establishment:1995
	Floor 4	Inspection workshop, Packing workshop	Year of establishment:1995
	Is this a shared building?	No	
	Production Building no 2 – Plastic toys	Description	Remark, if any
	Floor 1	Raw material warehouse, Accessory material Warehouse	Year of establishment:1995
	Floor 2	Packing workshop	Year of establishment:1995
	Floor 3	Moulding workshop	Year of establishment:1995
	Floor 4	Painting workshop	Year of establishment:1995
	Is this a shared building?	No	
	Office Building	Description	Remark, if any
	Floor 1	Office	Year of establishment:1995
	Is this a shared building?	No	
	Warehouse	Description	Remark, if any
	Floor 1	Warehouse for finished products and raw materials	Year of establishment:1995
	Is this a shared building?	No	

Dormitory Building	Description	Remark, if any
Floor 1	Kitchen and canteen	Year of establishment:1995
Floor 2	Female Dormitory	Year of establishment:1995
Floor 3	Male Dormitory	Year of establishment:1995
Is this a shared building?	No	

F1: **Visible structural integrity issues (large cracks) observed?**
☐ Yes
☒ No
 F2: Please give details: No crack was observed.

F3: Does the site have a structural engineer evaluation?
☒ Yes
☐ No
 F4: Please give details: The site had a building safety certificate valid from 01st May 2009 to 30th April 2019.

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: (if applicable)
 October to 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.
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:
 For plastic toys: 4 injection machines and 8 high frequency heating machines.
 For soft toys: 20 cutting machines, 100 sewing machines.

J: What form of worker representation / union is there on site?
☐ Union (name)
☒ Worker Committee
☐ Other (specify)

Commented [A23]: This is based on visual check only – report if something is seen but not required to specifically inspect the building for cracks.

Commented [A24]: Please indicate each peak season months, or the peak season period. If no peak season, please write 'no obvious peak'.

Commented [A25]: Please indicate any missing processes that could be subcontracted and also list in the 8A-subcontracting section.

	<input type="checkbox"/> None
K: Is there any night production work at the site?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
L: Are there any on site provided worker accommodation buildings e.g. dormitories	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No L1: If yes approx. % of workers in on site accommodation 50%
M: Are there any off site provided worker accommodation buildings	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No M1: If yes approx. % of workers
N: Were all site provided accommodation buildings included in this audit	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No N1: If no, please give details

Commented [A26]: Night production does NOT only mean night shift. It also includes OT hours done at night/evening as part of day shift.

For example, if there is a night shift, the auditor ticks "Yes". If workers work OT at night, then the auditor also ticks "Yes".

Commented [A27]: If not all accommodation buildings were included in the scope of this audit, please select 'No' and give details.

Audit Parameters

A: Time in and time out	A1: Day 1 Time in: 9:00 A2: Day 1 Time out: 17:00	A3: Day 2 Time in: 9:00 A4: Day 2 Time out: 15:00	A5: Day 3 Time in: A6: Day 3 Time out:
B: Number of auditor days used:	3.5 (2 auditors X 1.75 days)		
C: Audit type:	<input checked="" type="checkbox"/> Full Initial <input type="checkbox"/> Periodic <input type="checkbox"/> Full Follow-up <input type="checkbox"/> Partial Follow-Up <input type="checkbox"/> Partial Other If other, please define		
D: Was the audit announced?	<input type="checkbox"/> Announced <input checked="" type="checkbox"/> Semi – announced: Window detail: 3 weeks <input type="checkbox"/> Unannounced		
E: Was the Sedex SAQ available for review?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No E1: If No, why not? The factory had only just started the SAQ and so did not make it available to the auditors.		
F: Any conflicting information SAQ/Pre-Audit Info to Audit findings?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, please capture detail in appropriate audit by clause		
G: Who signed and agreed CAPR (Name and job title)	Mr EEE – Factory Manager		
H: Is further information available (if yes, please contact audit company for details)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
I: Previous audit date:	N/A		
J: Previous audit type:	N/A		
K: Were any previous audits reviewed for this audit	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A		

Commented [A28]: If this is <8 hours or >10 hours, then write why in the audit declaration in page 4 of this report.
If audit covers several days, add time in and out for all days.

Commented [A29]: For guidance on number of auditor days (man-days), see Best Practice Guidance (BPG).

Commented [A30]: Definition of audit types is available in the BPG.

Commented [A31]: Auditor should review this prior to the audit. The site should give access via Sedex Advance before the audit or send electronically.

Commented [A32]: Only report significant points.

Commented [A33]: If a supplementary report / alert report was issued, please tick "yes".

Audit attendance

Management

Worker Representatives

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

Commented [A34]: Senior management refers to the managers who have the authority to make changes, such as factory manager or owner.

Commented [A35]: If the representatives of worker committee and/or union were not present during any process of this audit, the auditor must state why not in field D and/or E. 'N/A' can only be used if worker representatives/union are present.

Worker Analysis

The term "migrant worker" refers to a person who is engaged or has been engaged in a remunerated activity in a country of which they are not a national or permanent resident or has purposely migrated on a temporary basis to another in-country region to seek and engage in a remunerated activity.

Worker Analysis								
	Local			Migrant*				Total
	Permanent	Temporary	Agency	Permanent	Temporary	Agency	Home workers	
Worker numbers – Male	221	19	0	0	0	0	0	240
Worker numbers – female	339	31	0	0	0	0	0	370
Total	460	50	0	0	0	0	0	610
Number of Workers interviewed – male	17	2	0	0	0	0	0	19
Number of Workers interviewed – female	20	3	0	0	0	0	0	23
Total – interviewed sample size	37	5	0	0	0	0	0	42

Commented [A36]: In some countries such as China, workers from another province, should be considered as migrant workers.

Commented [A37]: 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 also state here.



A: Nationality of Management	Chinese	
B: Please list the nationalities of all workers, with the three most common nationalities listed first. <i>Please add more nationalities as applicable to site. Add more rows if required.</i>	Nationalities: B1: Nationality 1: __China____ B2: Nationality 2: _____ B3: Nationality 3: _____	Was the list completed during peak season? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If no, please describe how this may vary during peak periods:
C: Please provide more information for the three most common nationalities.	C: approx % total workforce: Nationality 1 __100%____ C1: approx % total workforce: Nationality 2 _____ C2: approx % total workforce: Nationality 3 _____	
D: Worker remuneration (management information)	D: _____% workers on piece rate D1: __100____% hourly paid workers D2: _____% salaried workers Payment cycle: D3: _____% daily paid D4: _____% weekly paid D5: __100____% monthly paid D6: _____% other D7: If other, please give details	



Worker Interview Summary	
A: Were workers aware of the audit?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
B: Were workers aware of the code?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
C: Number of group interviews: <i>(Please specify number and size of groups. Please see SMETA Best Practice Guidance and Measurement Criteria. If the auditor was not able to follow the BPG, please state within the declaration)</i>	5 workers in 6 groups (30)
D: Number of individual interviews <i>(Please see SMETA Best Practice Guidance and Measurement Criteria)</i>	D1: Male: 5 D2: Female: 7
E: 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. <i>Note to auditor: please record details of migrant /agency/contractor workers in section 8 – Regular Employment, under Responsible Recruitment</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If no, please give details
F: Interviews were done in private and the confidentiality of the interview process was communicated to the workers?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
G: In general, what was the attitude of the workers towards their workplace?	<input checked="" type="checkbox"/> Favourable <input type="checkbox"/> Non-favourable <input type="checkbox"/> Indifferent
H: What was the most common worker complaint?	All workers interviewed had a positive attitude to management and site, the only complaint was that matters raised at the worker's committee meeting had not been acted on.
I: What did the workers like the most about working at this site?	Working environment, food and transport benefits.
J: Any additional comment(s) regarding interviews:	Most workers enjoyed working at this factory, they felt they had sufficient work and had a good relationship with management in general.
K: Attitude of workers to hours worked:	Workers expressed that they sometimes wanted to work extra, to earn more money, however they could turn down overtime if they wanted.
L. Is there any worker survey information available?	

☒ Yes
☐ No

If yes, please give details: There is an annual worker satisfaction survey conducted by management in the factory. Auditor saw records and improvements made, including improved food in the canteen.

M: 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 19 males and 23 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. 2 out of 12 individual interviewed workers were focusing specially on Environment 4-Pillar and Business Ethics section.

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 and 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.

N: Attitude of worker's 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 worker's 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 satisfied with the working conditions, and they stated that they could give suggestions on all parts of the site's practices.

O: 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 high hours were primarily in peak season.

They also were engaged with the issue surrounding minimum wage payment for cleaners and unskilled new workers and 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.

Audit Results by Clause

0A: Universal Rights covering UNGP

[\(Click here to return to summary of findings\)](#)

0.A. Guidance for Observations

- 0.A.1 Businesses should have a policy, endorsed at the highest level, covering human rights impacts and issues, and ensure it is communicated to all appropriate parties, including its own suppliers.
- 0.A.2 Businesses should have a designated person responsible for implementing standards concerning Human rights
- 0.A.3 Businesses shall identify their stakeholders and salient issues.
- 0.A.4 Businesses shall measure their direct, indirect, and potential impacts on stakeholders (rights holders) human rights.
- 0.A.5 Where businesses have an adverse impact on human rights within any of their stakeholders, they shall address these issues and enable effective remediation.
- 0.A.6 Businesses shall have a transparent system in place for confidentially reporting, and dealing with human rights impacts without fear of reprisals towards the reporter.

Note for auditors and readers. This is not a full Human Rights Assessment, but instead a check on the business's implementation of processes to meet their Universal rights covering UNGP responsibilities.

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 parent company XXX Toy Company publish a human rights statement on their intranet, but there is no formal training given to any employees on the need to protect human rights. The terms and conditions for employees are stated in the employee handbook and some workers are trained in the grievance procedure.

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

Details: Web site with human rights statement, and employee handbook, some anonymous grievance material from the confidential E-mail

Any other comments: Nil

Commented [A38]: Must indicate current systems and evidence examined whether issues have been found or not.
This should be a thorough description of what systems are in place to manage this area of the code and should include sufficient information to indicate compliance status of each clause.

Commented [A39]: Auditor must record the evidence checked which confirmed the site's current systems.

A: Policy statement that expresses commitment to respect human rights?

☒ Yes
☐ No

A1: Please give details: only for the parent company

B: Does the business have a designated person responsible for implementing standards concerning Human Rights?

☒ Yes
☐ No

Please give details:

	Name: Mr EEE Job title: Company Manager
C: Does the business have a transparent system in place for confidentially reporting, and dealing with human rights impacts without fear of reprisals towards the reporter?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No C1: Please give details: The site has a confidential email and suggestion box system available to workers.
D: Does the grievance mechanism meet UNGP expectations? (Legitimate, Accessible, Predictable, Equitable, Transparent, Rights-compatible, a source of continuous learning and based on stakeholder engagement)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No D1: If no, please give details: The human rights statement was not communicated to the workforce or their suppliers.
E: Does the business demonstrate effective data privacy procedures for workers' information, which is implemented?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No E1: Please give details: The site has a locked filing cabinet with workers personnel records. Workers can access their personnel records if they request it. HR staff are the only other members of staff with access.

Findings	
Finding: Observation <input checked="" type="checkbox"/> Company NC <input type="checkbox"/> Description of observation: Management is aware of the human rights statement published by the parent company, but they do not communicate it to the workforce or their suppliers. Additional elements: 0.A.1 Businesses should have a policy, endorsed at the highest level, covering human rights impacts and issues, and ensure it is communicated to all appropriate parties, including its own suppliers. Comments: The site should make appropriate workers aware of the human rights statement published by the parent company.	Objective evidence observed: Web site statement Management interviews

Good examples observed:	
Description of Good Example (GE): The site has undergone a human rights impact assessment and has acted accordingly to improve its links and impact on the local community.	Objective Evidence Observed: Human rights impact assessment and follow-up actions.

Measuring Workplace Impact

Workplace Impact		
A: Annual worker turnover: Number of workers leaving in last 12 months as a % of average total number of workers on site over the year (annual worker turnover)	A1: Last year: ___15___ %	A2: This year ___17___ %
B: Current % quarterly (90 days) turnover: Number of workers leaving from the first of the 90 day period through to the last day of the 90 day period / [(Number of employees on the 1 st day of 90 day period + number of employees on the last day of the 90 day period) / 2]	7%	
C: Annual % absenteeism: Number of days lost through job absence in the year / [(number of employees on 1 st day of the year + number employees on the last day of the year) / 2] * number available workdays in the year	C1: Last year: ___20___ %	C2: This year ___17___ %
D: Quarterly (90 days) % absenteeism: Number of days lost through job absence in the period / [(Number of employees on 1 st of the period + Number of employees on the last day of the period) / 2] * Number of available workdays in the month	4%	
E: Are accidents recorded?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No E1: Please describe: Management keeps a record of any accidents (H&R manager – Mr FFF)	
F: Annual Number of work related accidents and injuries per 100 workers: [(Number of work related accidents and injuries * 100) / Number of total workers]	F1: Last year: Number: 5	F2: This year: Number: 8
G: Quarterly (90 days) number of work related accidents and injuries per 100 workers: [(Number of work related accidents and injuries * 100) / Number of total workers]	1	
H: Lost day work cases per 100 workers: [(Number of lost days due to work accidents and work related injuries * 100) / Number of total workers]	H1: Last year: 6	H2: This year: 7
I: % of workers that work on average more than 48 standard hours / week in the last 6 / 12 months:	I1: 6 months ___0___% workers	I2: 12 months ___0___% workers
J: % of workers that work on average more than 60 total hours / week in the last 6 / 12 months:	J1: 6 months ___0___% workers	J2: 12 months ___0___% workers

Commented [A40]: Wherever possible the site should give details of staff turnover and absenteeism.

Commented [A41]: Where available the auditor should give details of accident records and indicate any trends in reduction or increases. If there was a record for accident, but no accident happened, please select 'Yes', and give details.

Commented [A42]: It should be possible to estimate this from annual records, if not then auditor may be able to estimate from the sample examined.

0B: Management system and Code Implementation

[\(click here to return to summary of findings\)](#)

0.B.1 Suppliers are expected to implement and maintain systems for delivering compliance to this Code.
 0.B.2 Suppliers are expected to be operating legally in premises with the correct business licenses and permissions and to have systems to ensure that all relevant land rights have been complied with
 0.B.3 Suppliers shall appoint a senior member of management who shall be responsible for compliance with the Code.
 0.B.4 Suppliers are expected to communicate this Code to all employees.
 0.B.5 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/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:

Responsibility for meeting the legal and client code requirements was shared between the HR Manager and the Health & Safety Manager. Together they were responsible to the factory manager for ensuring the standards are met.
 Ensuring that licenses and business permissions were up to date the responsibility of the HR department.
 Overall responsibility for meeting the standards was taken by the Factory Manager, Mr EEE.
 There was an internal audit team for quality who in addition took on the role for internal audit of the social standards of the factory and they reported to the HR and Health & Safety manager jointly to report their findings.
 Implementation of any necessary changes was then given to the individual department heads after agreement with the factory manager, this system was not fully effective, please see NC in clause 3, where one workshop supervisor had not made sure workers use appropriate PPE.
 There were no certifications at the site, such as ISO 14000, ISO 9000 OHSAS 18001 etc.

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

Details: Internal audit documents (the quality manager audits the personnel and wages systems of the factory) dated November 2018
 Client's code of conduct at the factory (posted in Chinese in the personnel office) dated June 2017
 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.

Any other comments: Nil

Management Systems:

A: In the last 12 months, has the site been subject to any fines/prosecutions for non-compliance to any regulations?

☐ Yes
☒ No

A1: Please give details:

Auditor checked this through internet and no fines/prosecutions was noted.

Commented [A43]: Suggest checking this in different ways, e.g. local bureau, internet, etc.

B: Do policies and/or procedures exist that reduce the risk of forced labour, child labour, discrimination, harassment & abuse?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No B1: Please give details: Policies existed for some of these areas (Forced labour, Health and Safety, Living Wage, Working Hours, No harsh treatment, Environment and Business Ethics).
C: If Yes, is there evidence (an indication) of effective implementation? Please give details.	Policies were communicated to workers via poster and annual training. Through documents review and workers interview, policy on No harsh treatment and Environment was not fully in compliance with the code. Workers stated no forced labour, no child labour was found (through interview and document checks), there were both female and male among management/supervisors.
D: Have managers and workers received training in the standards for forced labour, child labour, discrimination, harassment & abuse?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No D1: Please give details: Standards on 'Forced labour' and 'No harsh treatment' were communicated to workers through posters and annual training, currently no training on child labour and discrimination.
E: If Yes, is there evidence (an indication) that training has been effective e.g. training records etc.? Please give details	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No E1: Please give details: Training records: - Annual training for all employees, last conducted on 4 th April 2018. - Introductory training records for new employees, however, this had not been conducted since June 2018, some workers who started after June has not received training and was not aware of the code. Confirmed via management and worker interview
F: 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).	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No F1: Please give details:
G: Is there a Human Resources manager/department? If Yes, please detail.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No G1: Please give details: Human resources Manager is Mr FFF 1 admin staff Miss MMM
H: Is there a senior person /manager responsible for implementation of the code	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No H1: Please give details: Mr FFF, Position: human Resources manager.

Commented [A44]: If any certifications were provided, please provide the certificate numbers and valid date.

I: Is there a policy to ensure all worker information is confidential?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No I1: Please give details: A displayed policy on the confidentiality of an individual's personal information.
J: Is there an effective procedure to ensure confidential information is kept confidential?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No J1: Please give details: Notice on filing drawers state could only be accessed by authorised personnel.
K: Are risk assessments conducted to evaluate policy and procedure effectiveness?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No K1: Please give details: The site delivered internal audits on an annual basis in advance of 3 rd party customer audits. These included worker satisfaction surveys.
L: Does the facility have a process to address issues found when conducting risk assessments, including implementation of controls to reduce identified risks?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No L1: Please give details: Risk assessments were conducted by the quality team and outputs were reviewed by management to establish steps to remove, avoid or mitigate any risks identified.
M: Does the facility have a policy/code which require labour standards of its own suppliers?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No M1: Please give details: The facility had not communicated the ETI code to its own suppliers.
Land rights	
N: Does the site have all required land rights licenses and permissions (see SMETA Measurement Criteria)?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No N1: Please give details: The site showed the auditor their leasing agreement in original form records. All required land rights licenses were provided. Like the report of inspection for completed building construction projects and the certificate of inspection for completed building construction projects etc.
O: Does the site have systems in place to conduct legal due diligence to recognize and apply national laws and practices relating to land title?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No O1: Please give details: These were performed by the parent company's legal staff to accepted procedures for due diligence.
P: Does the site have a written policy and procedures specific to land rights.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Commented [A45]: In case of a facility in an established industrial area check that they have normal legal licenses.

If yes, does it include any due diligence the company will undertake to obtain free, prior and informed consent, (FPIC) even if national/local law does not require it	P1: If yes, how does the company obtain FPIC: Remark: The land in China mainland was belonged to the nation. Anybody, no matter the characters, could only rent the land from governmental department for a period. If the factory would like to use the land, it should apply for it from governmental department. The governmental department would make decision on whether to provide the approval.
Q: Is there evidence that facility/site compensated the owner/lessor for the land prior to the facility being built or expanded.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Q1: Please give details: This was conducted by the local governmental authority and the owner purchased the lease according to legal channels, overseen by company legal advisors.
R. Does the facility demonstrate that alternatives to a specific land acquisition were considered to avoid or minimize adverse impacts?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No R1: Please give details: This area where the factory located was assigned as industry usage by governmental department.
S: Is There any evidence of illegal appropriation of land for facility building or expansion of footprint.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No S1: Please give details: All the areas of factory were legal according to the interview and document review.

Commented [A46]: Free, prior and informed consent.

Free: simply means that there is no manipulation or coercion and that the process is self-directed by those effected by the project.

Prior: consent is sought sufficiently in advance of any activities being either commenced or authorised, and time for the consultation process to occur must be guaranteed by the relative agents.

Informed: suggests that the relevant people receive satisfactory information on the key points of the project such as the nature, size, pace, reversibility, the scope of the project, the reason for it, and its duration. This is the more difficult term of the four, as different groups may find certain information more relevant. The relevant people should also have access to the primary reports on the economic, environmental cultural impact that the project will have. The language used must be able to be understood by the relevant people.

Consent: a process in which participation and consultation are the central pillars

Non-compliance:

1. Description of non-compliance:

☒ NC against ETI/Additional Elements ☐ NC against Local Law
☐ NC against customer code:

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.

Additional elements:

0.B.4 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 worker's canteen, for increased visibility.

2. Description of non-compliance:

Objective evidence observed:

(where relevant please add photo numbers)
1. Site tour, workers Interview

Commented [A47]: In each section where NCs are raised indicate whether these are against local law or ETI/additional requirements or customer code.

☒ NC against ETI/Additional Elements
☐ NC against customer code:

☐ NC against Local Law

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.

a. The broken needle records showed that some workers (4+3) were working on 16&23 December 2018 while attendance records showed it was a rest day (see also hours section).

b. Production & maintenance records in the moulding and painting workshop showed that workers in the moulding and painting workshop were working on 23 December 2018 while the attendance records showed they were resting (see also wages and hours sections).

Additional elements:

0.B.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.

2. Attendance records, payroll records, production records, workers interview, management interview

Observation:

1. Description of observation:

Before the audit, it was noted that the SAQ had not been completed.

Local law or ETI requirement:

N/A

Comments:

The facility 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 would start and complete the SAQ within the next month.

2. Description of observation:

In discussion with management they confirmed that they had not communicated the code to their own suppliers/sub-contractors or conducted social assessment for suppliers/sub-contractors. In addition, they had not established the procedure of controlling their own suppliers' conformance to the code. The purchasing manager confirmed that some of their suppliers had been with them for many years and were likely to stay as supplier partners.

Additional elements:

Objective evidence observed:

1. Management interview

2. Management interview and management system documentation review

0.B.5 Suppliers should communicate this code to their own suppliers and, where reasonably practicable, extend the principles of this Ethical Code through their supply chain.

Comments:

The HR manager suggested that they start discussions with these regular suppliers on the code content.

Good Examples observed:

Description of Good Example (GE):

The factory had an internal management system which included its own internal audits and workers surveys performed by properly trained individuals. The site showed record that two members of the quality audit team had been on a social auditing skills course and were trained to review documents. The last worker survey was delivered in November 2018 and the internal audit in December 2018. The site used findings from the survey to increase satisfaction of workers, for example by improving quality of food provided.

Objective evidence observed:

Internal audit reports, annual survey documentation and worker/management interviews

1: Freely Chosen Employment

[\(Click here to return to summary of findings\)](#)

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/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 policy which prohibits forced labour was available for review.

A non-formalised application stated 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 new joiner's stated that:

- Workers could leave with 3 days' notice with no penalty when in probation period but once permanent (this is out of probation) they must give one month written notice.
- they would be given their full wages on their last day of work
- The workers were free to leave the workplace outside of their working hours – even when they were living in the dormitory.

But no formalised procedure for how workers would receive their last wages if they leave e.g. after the Chinese New Year

Contracts for security guards said cannot prevent workers from leaving the premises outside of working hours and when conducting searches (at request of management) it was on a sample basis, discretely and with no delay to workers leaving at the end of shift. The above was confirmed in management and workers interview.

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

Details:

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

Any other comments: Nil

A: Is there any evidence of retention of original documents, e.g. passports/ID's

- ☒ Yes
☐ No

A1: If yes, please give details and category of workers affected:
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. See non-compliances.

B: Is there any evidence of a loan scheme in operation	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No B1: If yes, please give details and category of worker affected:
C: Is there any evidence of retention of wages /deposits	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No C1: If yes, please give details and category of worker affected: Deposits for PPE – see NC detail
D: Are there any restrictions on workers' freedom to terminate employment?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No D1: Please describe finding:
E: If any part of the business is UK based or registered there & has a turnover over £36m, is there a published a 'modern day slavery statement'?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not applicable E1: Please describe finding:
F: Is there evidence of any restrictions on workers' freedoms to leave the site at the end of the work day?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No F1: Please describe finding:
G: Does the site understand the risks of forced / trafficked / bonded labour in it's supply chain	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not applicable G1: If yes, please give details and category of workers affected:
H: Is the site taking any steps taking to reduce the risk of forced / trafficked labour?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No H1: Please describe finding:

Non-compliance:

1. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law: ☐ NC against customer code:

In the sample review of 42 files one was found with an original ID card and a check was made on all other files (610).
 In full check 2 files were found to have an original ID, 3 were found with original birth certificate and 5 were found with original academic qualification - all others had copies. These workers had joined the factory in the last 6 months, and the management believe that the personnel office had overlooked giving the originals back to the workers.

Local law and/or ETI requirement

Local law: Article 9 of Law of the People's Republic of China on Employment Contracts, when recruiting an employee, the employer may not retain employee's identity card of residents and other papers, and the employer may

Objective evidence observed:

(where relevant please add photo numbers)

1. Management interview all personnel files were checked.

not require the employee to provide security or collect property from him under some other guise.

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:

Management believed it was an isolated mistake by the personnel office and that the procedure for handing back ID cards after copying was written down and clear. This was confirmed by 30 recently joined workers all having copied ID's only in their files.

Managers suggested that they implement a system for the HR manager checking the files of all new joiners at the end of each month to ensure that ID cards had been given back.

2. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law: ☐ NC against customer code:

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 and/or ETI requirement:

Local law: Article 65 of Opinions on Matters of Carrying out Labour Law of the People's Republic of China (LMI [1995] No. 309), employer shall not charge any form of deposit, caution money or mortgage when conclusion of labour contract.

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.

2. Deposit receipts, management interview and employee interview

Observation:

Description of observation:

None observed

Local law or ETI requirement:

Comments:

Objective evidence observed:

Good Examples observed:

<p>Description of Good Example (GE):</p> <p>None observed</p>	<p>Objective evidence observed:</p>
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2: Freedom of Association and Right to Collective Bargaining are Respected

[\(Click here to return to summary of findings\)](#)

[\(Click here to return to Key Information\)](#)

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 was no union at the site, but workers had the right to join a union if they wish
- There was evidence of a worker's committee
 - The committee members were chosen by fellow workers
 - There was one set of minutes only
 - The worker's committee was formed 12 months ago
 - Worker interview confirmed that the members of the worker's committee had been elected by fellow workers, but they did not understand the roles and responsibilities of committee members fully.
 - 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.

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

Details:

- Minutes of the works committee meeting
- Site policy on freedom of association dated Jan 2017
- Interview with workers
- Interview with worker's committee members
- Interview with managers

Any other comments: Nil

Commented [A48]: It is important that the auditor states:
- Whether there is a union or not
- Whether workers feel free to join a union

A: What form of worker representation/union is there on site?

- ☐ Union (name)
- ☒ Worker Committee
- ☐ Other (specify)
- ☐ None

B: Is it a legal requirement to have a union?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
C: Is it a legal requirement to have a worker's committee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
D: Is there any other form of effective worker/management communication channel? (Other than union/worker committee e.g. H&S, sexual harassment)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No D1: Please give details: Worker committee Suggestion box and confidential email, but not effective (see Freedom of Association – observation) D2: Is there evidence of free elections? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
E: Does the supplier provide adequate facilities to allow the Union or committee to conduct related business?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No E1: Please give details: There was a room available for the worker's committee to meet and the members were allowed 2 hours per month for a meeting.	
F: Name of union and union representative, if applicable:	N/A	F1: Is there evidence of free elections? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A
G: If there is no union is there a parallel means of consultation with workers e.g. worker committees?	Workers committee; A worker's 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.	G1: Is there evidence of free elections? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
H: Are all workers aware of who their representatives are?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Representative names and responsibilities were not properly communicated to the workforce.
I: Were worker representatives freely elected?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	I1: Date of last election: 12 June 2018
J: Do workers know what topics can be raised with their representatives?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
K: Were worker representatives/union representatives interviewed?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If Yes , please state how many: 4 (2 males and 2 females)	
L: Please describe any evidence that union/worker's committee is effective?	The group had only met once, did not meet legal requirement of every 3 months, and there was insufficient information to indicate	

Specify date of last meeting; topics covered; how minutes were communicated etc.	effectiveness, e.g. minutes not shared, only topics PPE and canteen food.	
M: Are any workers covered by Collective Bargaining Agreement (CBA)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
If Yes , what percentage by trade Union/worker representation	M1: ____% workers covered by Union CBA	M2: ____% workers covered by worker rep CBA
M3: If Yes , does the Collective Bargaining Agreement (CBA) include rates of pay?	<input type="checkbox"/> Yes <input type="checkbox"/> No	

Non-compliance:

1. Description of non-compliance:

☒ NC against ETI ☐ NC against Local Law ☐ NC against customer code:

The worker's committee existed in theory but did not appear to function. It had met only once in the last 6 months and the number of workers had dropped from 10 to 6. The female members had left which mean that the 60% of the workers at the site had no balanced gender representation in the worker's committee. Committee members were dissatisfied at the lack of action by management based on the issues they raised at the one meeting.

Local law and/or ETI requirement:

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 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.

Recommended corrective action:

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

2. Description of non-compliance:

☒ NC against ETI ☐ NC against Local Law ☐ NC against customer code:

Workers interviewed knew there was a worker's committee and that its members had been elected, but did not know:

Objective evidence

observed:

(where relevant please add photo numbers)

1. Workers committee meeting minutes, Management interview, Worker interview and Committee members

2. Management interview, Worker interview, Committee member's interview.

- How the nominations and elections were organised
- Who their representatives were
- The roles and responsibilities of worker representatives.

Local law and/or ETI requirement:

ETI requirement:

ETI 2.2 The employer adopts an open attitude towards the activities of trade unions and their organisational activities.

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.

Recommended corrective action:

The site agreed to inform all workers of the worker committee and to include it as part of induction training.

Communicate the process for the worker committee to workers, during induction training and on relevant notice boards and in relevant meetings following induction.

Ensure worker representatives are known to workers, for example through pictures on notice boards.

3. Description of non-compliance:

☒ NC against ETI ☐ NC against Local Law ☐ NC against customer code:

Worker committee representatives reported that their requests were being ignored. These included PPE requests for gloves in detail painting workshop (part of painting workshop in production building 2).

The H&S manager said he had checked with the supplier of the 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.

Local law and/or ETI requirement:

ETI requirement:

ETI 2.2 The employer adopts an open attitude towards the activities of trade unions and their organisational activities.

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.

Recommended corrective action:

Workers to be made aware that there was need for gloves and that the glues in use in the factory were not hazardous to health. In the future, if committee members make requests, ensure any follow-up is fed back to the committee and to workers, even in cases are not followed through.

4. Description of non-compliance:

☒ NC against ETI ☐ NC against Local Law ☐ NC against customer code:

3. Workers committee meeting minutes, Management interview, Worker interview and Committee members

4. Management interview, Worker interview, grievance mechanism records

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 and/or ETI requirement:

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.

Recommended corrective action:

Management and worker committee to communicate the existence of grievance mechanisms to workers once more, and how they can be used most effectively.

Management to put anonymous suggestion on a notice board above the suggestion box along with the management response to those suggestions. This will show to workers the purpose of the suggestion box as well as keep them informed of the manager's response.

Observation:

Description of observation:

Minutes of the worker's committee meeting are produced but they are not shared with the total workforce.

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:

Managers agreed that it would be a good idea to post them in the canteen and they will do so for the last set of minutes and future minutes.

Objective evidence observed:

Worker interview, Worker committee interview, worker's committee minutes

Good Examples observed:

Description of Good Example (GE):

Annual survey of worker's satisfaction, used to understand worker sentiment and improve working conditions.

Objective evidence observed:

Annual survey documentation, worker interview

3: Working Conditions are Safe and Hygienic

[\(Click here to return to summary of findings\)](#)

[\(Click here to return to Key Information\)](#)

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.
- 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 was 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 the time to workers
 - Ventilation, temperature and lighting were adequate for the production processes
 - Health certificates for kitchen operators and hygiene certificate for the kitchen was in date and legal ----
 - Minutes of meetings showed monthly meetings between the H&S committee (workers) and the H&S manager, and each point was acted on.
2. Fire Safety
 - There were at least 2 exits for most work areas and most of the exits 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 selected for extra training.
3. Electrical safety
 - All electrical equipment was 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 that 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):

Details:

- Health and safety policy
- Health and safety manual
- Health and safety committee minutes
- Training records and certificates
- Fire equipment maintenance records
- Fire drill records on May 21 and November 22, 2018
- Government licenses and checks on air quality and noise level on December 10, 2018
- Building structure safety certificate valid from 01st May 2009 to 30th April 2019
- Trained first aider register
- Accident reports
- Food business license for kitchen on March 01, 2018
- Health certificates for kitchen staff on March 05, 2018
- Chemical list and MSDS for each chemical
- Potable water testing certificates on December 03, 2018
- Interviews with H&S manager
- Interviews with workers and H&S committee members

Any other comments: Nil

Commented [A49]: Please include dates where possible.

A: Does the facility have general and occupational Health & Safety policies and procedures that are fit for purpose and are these communicated to workers?

- ☒ Yes
☐ No

A1: Please give details:

The site had a H&S manager and a H&S committee who met regularly – evidence of actions

B: Are the policies included in workers' manuals?

- ☒ Yes
☐ No

B1: Please give details:

Each employee received an employee handbook at induction, and a copy was posted on the notice board of the factory. This handbook included all available policies.

C: Are there any structural additions without required permits/inspections (e.g. floors added)?

- ☐ Yes
☒ No

C1: Please give details:

The site had a valid building safety certificate.

D: Are visitors to the site informed on H&S and provided with personal protective equipment

- ☒ Yes
☐ No

D1: Please give details:

Visitor's badges had H&S information on them and the visitor was requested to read it

<p>E: Is a medical room or medical facility provided for workers?</p> <p>If yes, do the room(s) meet legal requirements and is the size/number of rooms suitable for the number of workers.</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>E1: Please give details:</p> <p>No medical room or medical facility provided for workers. There were adequate first aid kits in each production area and they were well stocked</p>
<p>F: Is there a doctor or nurse on site or there is easy access to first aider/ trained medical aid?</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>F1: Please give details:</p> <p>There were 30 first aiders, and they had been trained at a local hospital. These first aiders were identified by blue 'cross' armbands.</p>
<p>G: Where the facility provides worker transport – is it fit for purpose, safe, maintained and operated by competent persons e.g. buses and other vehicles?</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>G1: Please give details: N/A, no transport was provided</p>
<p>H: Is secure personal storage space provided for workers in their living space and is fit for purpose?</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>H1: Please give details:</p> <p>Locked personal storages were provided in dormitories</p>
<p>I: Are H&S Risk assessments are conducted (including evaluating the arrangements for workers doing overtime e.g. driving after a long shift) and are there controls to reduce identified risk?</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>I1: Please give details:</p> <p>Delivered as part of the internal social audit, last delivered in December 2018.</p>
<p>J: Is the site meeting its legal obligations on environmental requirements including required permits for use and disposal of natural resources?</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>J1: Please give details:</p> <p>Waste water permits were present, and all effluent tests met legal limits.</p>
<p>K: Is the site meeting its customer requirements on environmental standards, including the use of banned chemicals?</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>K1: Please give details:</p> <p>The site had a copy of the banned substances list from its customer and was meeting those requirements.</p>

Commented [A50]: If no transport is provided by the facility, please tick 'No' and give details.

Commented [A51]: If no dormitory is provided by the facility, please tick 'No' and give details.

Non-compliance:

1. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law ☐ NC against customer code:

Insufficient number of safety exit at warehouse. During facility tour, it was noted that one 1-storey building was used as raw materials and finished products warehouse. The floor area of this warehouse was more than 5000 square meters, however, there was only one safety exit for the warehouse.

Local law and/or ETI requirement

Local law:

Article 3.8.2 of the Code for design of building fire protection and prevention (GB50016-2014), there shall be no less than 2 safety exits for each storage. There shall be one safety exit for storage with a construction area less than 300 square meters. For each fire compartment leading to the evacuation passage, staircase or outside area, the number of safety exits in the fire compartment shall not be less than 2. When the construction area of the fire compartment is less than 100 square meters, there shall preferably be one safety exit.

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.

Recommended corrective action:

It is recommended that the facility should ensure at least 2 safety exits are available in this warehouse.

Objective evidence observed:

(where relevant please add photo numbers)

1. Facility tour
See photo NC 1

2. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law ☐ NC against customer code:

Lack of exit sign. During facility tour, it was noted that no exit sign was installed for 1 out of 2 safety exits in the packing workshop on the 2nd floor of No.2 production building.

Local law and/or ETI requirement

Local law:

Article 10.3.5 of the Code for design of building fire protection and prevention (GB50016-2014): Lighting Evacuation Signs should be installed in public building, resident building higher than 54 meters, high-rise factory building and storage, Class A.B and C factory building. And the setting should be compliant with the following specifications:

1. The Lighting Evacuation Sign should be installed right on top of the safety exit door and evacuation door in Densely-Populated Places;
2. The Lighting Evacuation Sign should be installed along the evacuation passage and its corner with less than 1.0 meter in height on the wall. And the distance between exit signs should not be larger than 20.0 meters. For dead-end passages, the distance should not be larger than 10.0 meters. For passages in curve, the distance should not be larger than 1.0 meter.

ETI requirement:

2. Facility tour
See photo NC 2

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.

Recommended corrective action:

It is recommended that the facility should ensure the exit signs are installed on the top of all safety exits in the packing workshop.

3. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law ☐ NC against customer code:

Some workers without personal protective equipment (PPE). During the facility tour, it was noted that total 45 workers in the spray-painting department were not wearing rubber gloves, goggles and masks. Examination of the MSDS showed that these were solvent based paints and the recommended safety precautions were to use them with the above PPE.

Local law and/or ETI requirement

Local law:

Article 42 of Law of the People's Republic of China on Production Safety, business entities must provide their employees with labour protection products meeting the national or industry standards, and supervise and educate their employees on wearing or using such products in accordance with the rules of use.

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.

Recommended corrective action:

It is recommended that appropriate PPE and training is provided to the workers in the spray department.

4. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law ☐ NC against customer code:

Fire equipment was blocked. During facility tour, it was noted that 2 fire extinguishers and 1 fire hydrant were blocked by production materials in the sewing workshop on the 2nd floor of No.1 production building.

Local law and/or ETI requirement

Local law:

Article 28 of Fire Control Law of the People's Republic of China, no units or individuals may damage or divert to other purpose, dismantle or inactivate fire control facilities and equipment without authorization, or bury and occupy fire hydrants, take up fire prevention spaces and block fire control passages,

3. Facility tour
See photo NC 3

4. Facility tour
See photo NC 4

safety exits or fire-fighting truck passage. Barrier that baffles evacuation and fire-fighting activities shall not be located at doors and windows in crowded concourse.

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.

Recommended corrective action:

It is recommended that the facility should ensure all the firefighting equipment in the sewing workshop are free of obstruction.

Observation:

Description of observation:

During worker interviews, some workers reported that sometimes the toilets were not clean. Management reported that they cleaned the toilets regularly and the auditor saw the cleaning rota which confirmed this. On the day of the visit, the toilets were clean and hygienic.

Local law or ETI requirement:

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

Recommended corrective action:

Management to monitor toilet cleanliness more closely and ask workers to raise it with their supervisors if toilets are unclean.

Objective evidence observed:

Worker interviews, management interview and cleaning rota
See photo OB 1

Good Examples observed:

Description of Good Example (GE):

A library was provided freely on the first floor of the dormitory.

Objective Evidence Observed:

Dormitory tour and workers interview
See photo GE 1

4: Child Labour Shall Not Be Used

[\(Click here to return to summary of findings\)](#)

[\(Click here to return to Key Information\)](#)

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:

- An informal procedure to check age of workers at application included checking ID's. This was not written down, and no formal checks of validity of ID's.
- After joining original ID's were returned and only copies kept on file
- Youngest worker was 16 years old.
- 20 workers were 16-18 years., (juvenile workers) but no separate register kept- contrary to law
- Law and employee handbook stated need for juvenile workers separate registration with labour office and health checks, this was not completed – see NC's
- All the juvenile workers were assigned in the sewing and packing department.

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

Details:

- Personnel files of all workers (see checks done for clause 1 'employment freely chosen')
- Latest list of employees
- Juvenile workers details
- Records of any health checks

Any other comments: Nil

A: Legal age of employment	16
B: Age of youngest worker found:	16
C: Are there children present on the work floor but not working at the time of audit?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
D: % of under 18's at this site (of total workers)	2 %

E: Are workers under 18 subject to hazardous work assignments?
(Go to clause 3 – Health and Safety)

☐ Yes
☒ No
E1: If yes, give details

Non-compliance:

1. Description of non-compliance:

☐ NC against ETI ☒ NC against Local Law ☐ NC against customer code:

During interview of a selection of juvenile workers (16-18yrs) and on review of their personal files, it was noted that all the 20 juvenile workers were not registered with the local labour bureau in the facility.

Local law and/or ETI requirement:

Local law:

Article 9 of Regulation for Special Protection of Underage Workers (LMI [1994] No. 498): Employer should register with the Local Labour Administration Authorities above the County level before recruiting juvenile employees.

Recommended corrective action:

It is recommended that the facility should ensure all the juvenile workers are registered with the local labour bureau.

2. Description of non-compliance:

☐ NC against ETI ☒ NC against Local Law ☐ NC against customer code:

During interview of a selection of juvenile workers (16-18yrs) and on review of their personal files, it was noted that all the 20 juvenile workers were not provided the regular physical examinations.

Local law and/or ETI requirement:

Local law:

Article 6 of Regulation for Special Protection of Underage Workers (LMI [1994] No. 498): Employer should conduct regular physical check for Juvenile employees under any of the following requirements: (1) Before the job arrangement; (2) Worked more than one full year; (3) Be 18 years old and more than half a year since the last physical check.

Recommended corrective action:

It is recommended that the facility should ensure all the juvenile workers are provided with regular physical examinations.

3. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law ☐ NC against customer code:

Per attendance records, it was noted that 5 out of 20 juvenile workers were assigned overtime work in January 2019. The 5 juvenile workers worked 8 hours on weekend and total 24 overtime hours in January 2019.

Local law and/or ETI requirement:

Local law:

Objective evidence observed:

(where relevant please add photo numbers)

1. Personnel files review and workers interview.

2. Personnel files review and workers interview.

3. Attendance records review and workers interview.

Article 33 of Interim Provisions on Labour Management of Private Enterprise (Extract): Private enterprise should implement regular working hours no more than 8 hours per weekday. Overtime work caused by any business reason should be approved by employees with overtime wages paid. The trade union is entitled to show opinions when unhealthy continuous overtime work and long working hours were conducted, and the local labour department is entitled to stop it. Additionally, overtime work assigned to juvenile, pregnant and lactation employees is prohibited.

ETI requirement:

ETI 4.3 Children and young persons under 18 shall not be employed at night or in hazardous conditions.

Recommended corrective action:

It is recommended that the facility should ensure no overtime work was assigned for juvenile employees.

Observation:

Description of observation:

The factory had a minimum working age policy (at least 16 years old), but some managers were not aware of this.

Local law or ETI requirement:

ETI 4.1 There shall be no new recruitment of child labour.

Comments:

The HR manager said that as all recruitment went through their office, this had not been an issue so far. However, they would re-communicate the policy to all members of staff to ensure this was clear.

Objective evidence observed:

Managers interview, policy review

Good Examples observed:

Description of Good Example (GE):

None observed

Objective Evidence Observed:

5: Living Wages are Paid

[\(Click here to return to summary of findings\)](#)

[\(Click here to return to Key information\)](#)

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 2017 (6.32 per hour)
- All workers' wages were calculated by hourly 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 were understood by all employees.
- All workers were provided with written and understandable information about their employment conditions in respect to wages before they entered employment and about the particulars of their wages for the pay period concerned each time that they were paid.
- Document review of payroll and employee wage records showed that only 50% of workers had provided with social insurance
- 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 had 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):

Details:

Document review
Worker interview
Local and national laws
Wages and benefits policy
Local legal minimum wage documents
Payroll records from December 2015 to November 2016
Leave records
Social insurance and payment receipts from the local labour department

Labour contracts for all employees (to examine agreed wage rates)
 Resignation records
 Payslips of all workers interviewed
 Hours records to check hourly rates and any overtime premiums
 Any other comments: Nil

Non-compliance:

1. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law ☐ NC against customer code:

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 on 16&23 December 2018 while attendance records showed it was a rest day (see also hours section).

b. Production & maintenance records in the moulding and painting workshop showed that workers in the moulding and painting workshop were working on 23 December 2018 while the attendance records showed they were resting (see also wages and hours sections).

The auditor was able to verify some wages and hours records, and these are detailed in wages and hours sections.

Local law and/or ETI requirement:

Local law:

Article 48 of the Labour Law of the PRC the wage paid to an employee by an employer shall not be lower than the minimum wage standard of the locality.

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.

Recommended corrective action:

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

Factory comments:

The cause of inconsistencies was the worker who wrote the dates on the production records by mistake. We would require all department heads to check the production records on a daily basis to ensure that all attendance records were correctly completed, in order to avoid such inconsistencies in the future.

2. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law ☐ NC against customer code:

During document review of the payroll it was noted that workers were not being paid correct overtime premiums for those workers earning more than

Objective evidence observed:

(where relevant please add photo numbers)

1. Production records, broken needle record, maintenance records and payroll records

Commented [A52]: Important that auditor states why they could not be verified e.g. differences between production records and payroll records.

Commented [A53]: Important: where wages and hours cannot be verified, the auditor must record the site's comments.

2. Payroll records, Wage slips, Management and worker interview

the minimum wage, E.g. the highest paid worker in the wages table was paid standard wages at 1500 per month (21.75 days and 8 hours per day), that was 8.62 currency units per hour. For 28 hours overtime hours per month the total wage should be: 8.62 (standard wage rate) X 28 (hrs.) X 1.5 (overtime rate) = 362 [currency units], the actual wages paid were 265.4 i.e. overtime rates were calculated on the minimum wage but not the normal wages.

Local law and/or ETI requirement:

Local law:

Article 44 of the Labor Law of the PRC the employer shall, according to the following standards, pay employees remuneration higher than those for statutory working hours under any of the following circumstances.

(1) To pay no less than 150% of the normal wages when extended working hours are assigned to employees;

(2) To pay no less than 200% of the normal wages when employees are assigned to work on rest days and no deferred rest can be taken;

(3) To pay no less than 300% of the normal wages when employees are assigned to work on statutory holidays.

ETI requirement:

ETI 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.

Recommended corrective action:

It is recommended that management should ensure that employees are properly compensated for all overtime worked.

3. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law ☐ NC against customer code:

5 of the 42 workers sampled did not receive minimum legal wage for standard hours of 40 hours per week and 174 hours per month. Although each was paid an attendance bonus and production bonus the standard contracted hourly rate for these 5 workers was RMB 5.8 per hour instead of the legal requirement of RMB 6.32 per hour. Management confirmed that 10% of the workforce (65 workers) was contracted at RMB 5.8 per hour and these included cleaners (5% of workforce – 32 workers) and new production workers (5% of workforce – 33 workers). They also stated that new workers could earn production bonus and that both new workers and cleaners could earn attendance bonus.

By discussion it was clear that these extra payments were not guaranteed, and that was a legal requirement to guarantee a minimum legal wage of RMB 6.32 per hour to all workers as a minimum requirement, bonuses etc. were then in addition.

Local law and/or ETI requirement:

Local law:

Article 48 of the Labour Law of the PRC the wage paid to an employee by an employer shall not be lower than the minimum wage standard of the locality.

ETI requirement:

3. Payroll records, individual worker records, management interview and worker interview

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.

Recommended corrective action:

It is recommended that factory management should ensure that employees are paid at least the local minimum wage.

Factory comments:

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 would require the wages office to calculate how much was owed to the 10% of individuals who had only been paid RMB 5.8 per hour since the increase in minimum legal wage rate to RMB 6.32. Then wages office would recommend how this should be paid back to the relevant workers.

4. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law ☐ NC against customer code:

It was noted that the social insurance coverage was insufficient in the facility. According to the social insurance payment receipt provided by factory management, it was noted that only 50% employees were provided with pension, accident, unemployment, medical and maternity insurance in January 2019.

Local law and/or ETI requirement:

Local law:

Article 73 of the Labour Law of the People's Republic of China, employees shall, in accordance with the law, be entitled to social insurance benefits under the following circumstances: (1) retirements; (2) illness or injury; (3) disability caused by work-related injury or occupational disease; (4) unemployment; and (5) maternity.

The survivors of the insured laborers shall be entitled to subsidies for survivors in accordance with the law. The conditions and standards for laborers to enjoy social insurance benefits shall be stipulated by laws, rules and regulations. The social insurance amount that laborers and entitled to, must be timely paid in full amount.

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.

Recommended corrective action:

It is recommended that factory management should ensure that employees receive all of their statutory welfare entitlements.

4. Social insurance records, management interview and worker interview

Observation:	
Description of observation: None observed Local law or ETI requirement: Comments:	Objective evidence observed:

Good Examples observed:	
Description of Good Example (GE): Factory provided free meals and transportation for workers. - Free meal was provided once a day, at lunch, workers had to provide food for themselves at morning and night. This benefit was given all workdays of the year and to all workers, both the workers living at site and outside. - The free transportation was given each morning and night, to workers not living at site (260). The transportation left from three local bus stations in the morning (in areas where the workers live), and took them to the site, in the evening, all workers not living at site were provided transportation back to bus stations.	Objective Evidence Observed: Worker interview & transportation records

Summary Information

Criteria	Local Law (Please state legal requirement)	Actual at the Site (Record site results against the law)	Is this part of a Collective Bargaining Agreement?
A: Standard/Contracted work hours: (Maximum legal and actual required working hours excluding overtime, please state if possible per day, week, and month)	Legal maximum: 8 hours per day, 40 hours per week	A1: 8 hours per day, 40 hours per week	A2: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
B: Overtime hours: (Maximum legal and actual overtime hours, please state if possible per day, week, and month)	Legal maximum: 3 hours per day and 36 hours per month	B1: 3 hours per day, 20 hours per week, 80 hours per month	B2: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
C: wage for standard/contracted hours: (Minimum legal and actual minimum wage at site, please state if possible per hr, day, week, and month)	Legal minimum: RMB 1100 per month (effective from 1st March 2017)	C1: RMB 1100 per month (6.32 per hour), for some workers the minimum wage was not met,	C2: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Commented [A54]: If no CBA is existed, please also tick 'No'.

		they were paid RMB 5.8 per hour (RMB 1010 per month)	
D: overtime wage: (Minimum legal and actual minimum overtime wage at site, please state if possible per hr, day, week, and month)	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.	D1: 150% of minimum wage rate for weekday overtime, 200% of minimum wage rate for weekend overtime, no overtime work on statutory holiday. The overtime wage was calculated based on minimum wage but not standard wage	D2: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Wages analysis:

[\(Click here to return to Key Information\)](#)

A: Were accurate records shown at the first request?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
A1: If No , why not?	Inconsistencies were found between records. a. The broken needle records showed that some workers (4+3) were working on 16&23 December 2018 while attendance records showed it was a rest day. b. Production & maintenance records in the moulding and painting workshop showed that workers in the moulding and painting workshop were working on 23 December 2018 while the attendance records showed they were resting.	
B: <u>Sample Size Checked</u> (State number of worker records checked and from which weeks/months – should be current, peak, and random/low. Please see SMETA Best Practice Guidance and Measurement Criteria)	42 samples from January 2019 (current) 42 samples from November 2018 (peak) 42 samples from May 2018 (randomly selected)	
C: Are there different legal minimum wage grades? If Yes , please specify all.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	C1: If Yes , please give details:
D: If there are different legal minimum grades, are all workers graded and paid correctly?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A	D1: If No , please give details:

Commented [A55]: Please specify each sample month and the number of samples.
If the sample size is different from the SMETA guideline, please note this in the declaration in page 4.

E: For the lowest paid production workers, are wages paid for standard/contracted hours (excluding overtime) below or above the legal minimum?	<input checked="" type="checkbox"/> Below legal min <input checked="" type="checkbox"/> Meet <input type="checkbox"/> Above	E1: Lowest actual wages found: <i>Note: full time employees and please state hour / week / month etc.</i> 10% of the workforce (65 workers) was contracted at RMB 5.8 per hour and these included cleaners (5% of workforce – 32 workers) and new production workers (5% of workforce – 33 workers)	
F: Please indicate the breakdown of workforce per earnings:	F1: _10_ % of workforce earning under min wage F2: _90_ % of workforce earning min wage F3: ____ % of workforce earning above min wage		
G: Bonus Scheme found: Please specify details:	Bonus Scheme found: <i>Note: type of employee (e.g. full time, temp, etc.) and please state which units e.g. /hour /week /month etc.</i> 410 this month (January 2019) timekeeping and production bonus.		
H: What deductions are required by law e.g. social insurance? Please state all types:	Social insurance (pension, accident, unemployment, medical and maternity insurance), personal income tax, etc		
I: Have these deductions been made?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	I1: Please list all deductions that have been made. I2: Please list all deductions that have not been made.	1. Social insurance Please describe: 1. Personal income tax Please describe: Not reach the starting point of the personal income tax
J: Were appropriate records available to verify hours of work and wages?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
K: Were any inconsistencies found? (if yes describe nature)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	K1: Type <input type="checkbox"/> Poor record keeping <input type="checkbox"/> Isolated incident <input checked="" type="checkbox"/> Repeated occurrence: Unable to verify wages and hours owing to inconsistencies between broken needle record, production records and payroll attendance records. Attendance showed rest days for some workers on 16 December and 23 December, but production records showed they were working.	
L: Do records reflect all time worked? (For instance, are workers asked to attend meetings before or after work but not paid for their time)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No L1: Please give details: Production records showed some workers were attending when attendance records showed rest days		

Commented [A56]: 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.

Commented [A57]: If the auditor answers 'no', the question below MUST be answered.

<p>M: Is there a defined living wage: This is <u>not normally</u> minimum legal wage. If answered yes, please state amount and source of info: Please see SMETA Best Practice Guidance and Measurement Criteria.</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No M1: Please specify amount/time:</p>
<p>M2: If yes, what was the calculation method used.</p>	<p><input type="checkbox"/> ISEAL/Anker Benchmarks <input type="checkbox"/> Asia Floor Wage <input type="checkbox"/> Figures provided by Unions <input type="checkbox"/> Living Wage Foundation UK <input type="checkbox"/> Fair Wear Wage Ladder <input type="checkbox"/> Fairtrade Foundation Other – please give details:</p>
<p>N: Are there periodic reviews of wages? If Yes give details (include whether there is consideration to basic needs of workers plus discretionary income).</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No N1: Please give details: There was an annual review when local wage rates were examined</p>
<p>O: Are workers paid in a timely manner in line with local law?</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>P: Is there evidence that equal rates are being paid for equal work:</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No P1: Please give details: Through factory rules review, payroll records review and employee's interviews' interview, it was confirmed that equal rates were being paid for equal work.</p>
<p>Q: How are workers paid:</p>	<p><input checked="" type="checkbox"/> Cash <input type="checkbox"/> Cheque <input type="checkbox"/> Bank Transfer <input type="checkbox"/> Other Q1: If other, please explain:</p>

Commented [A58]: This is not usually minimum wage. If there is no locally defined living wage, please tick 'No'. If a living wage is defined, please specify by whom.

6: Working Hours are not Excessive

[\(Click here to return to summary of findings\)](#)

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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 was voluntary.
- The factory provided hours and wages records from February 2018 to January 2019.
- IC card attendance system was used to record time in and time out information for each employee.
- According to time records and worker interview basic working hours were 8 hours per day and 40 hours per week with no more than 3 hours overtime per day on weekdays and 8 hours overtime on rest days.
- Total overtime was above 36 hours per month (max in sample 80 hours a month) and records showed that workers had 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 attendance records showed a rest day (see below in noncompliance section)

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

Details:

- 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

Any other comments: Nil

Non-compliance:

1. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law ☐ NC against customer code:

Overtime hours exceeded the legal requirement of 36 hours per month. According to the attendance records of 3 sample months, it was noted that 40 out of 42 sample workers worked 40-70 overtime hours in January 2019 (current month); 42 out of 42 sample workers worked 40-80 overtime hours in November 2018 (peak month); 20 out of 42 sample workers worked 37-50 overtime hours in May 2018 (random month).

Local law and/or ETI requirement:

Local law:

Article 41 of the Labour Law of the PRC, after consultation with the trade union and employees, the employer may extend working hours due to its production or business needs, but the extended working hours shall not generally exceed one hour a day; in special circumstances that require an extension of working hours, the extended working hours shall not exceed 3 hours a day and 36 hours a month on condition that the health of employees is guaranteed.

ETI requirement:

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.

Recommended corrective action:

It is recommended that the facility should ensure that employee's overtime hours do not exceed the statutory limits.

2. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law ☐ NC against customer code:

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 16 December 2018, 3 workers worked on 23

Objective evidence observed:

(where relevant please add photo numbers)

1. Attendance records, management and worker interview

2. Production records, broken needle records, maintenance records and attendance records

December 2018, but the attendance records provided by the facility 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 23 December 2018, but the attendance records provided by the facility indicated that all workers in moulding and painting workshop rested on the above-mentioned days.

The auditor was able to verify some wages and hours records, and these were detailed in wages and hours sections.

Local law and/or ETI requirement:

Local law:

Article 41 of the Labour Law of the PRC, after consultation with the trade union and employees, the employer may extend working hours due to its production or business needs, but the extended working hours shall not generally exceed one hour a day; in special circumstances that require an extension of working hours, the extended working hours shall not exceed 3 hours a day and 36 hours a month on condition that the health of employees is guaranteed.

ETI requirement:

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.

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.

Factory comments:

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

Observation:

Description of observation:

None observed

Local law or ETI requirement:

Comments:

Objective evidence observed:

Good Examples observed:

Description of Good Example (GE): None observed		Objective Evidence Observed:	
<p align="center">Working hours' analysis Please include time e.g. hour/week/month <i>(Go back to Key information)</i></p>			
Systems & Processes			
A. What timekeeping systems are used: time card etc.		Describe: Electronic attendance system: IC card	
B: Is sample size same as in wages section?		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No B1: If no, please give details	
C: Are standard/contracted working hours defined in all contracts/employment agreements?		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	C1: If NO, please give details including % and which type of workers do NOT have standard hours defined in contracts/employment agreements. Please give details:
D: Are there any other types of contracts/employment agreements used?		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	D1: If YES, please complete as appropriate: <input type="checkbox"/> 0 hrs <input type="checkbox"/> Part time <input type="checkbox"/> Variable hrs <input type="checkbox"/> Other If "Other", Please define:
E. Do any standard/contracted working hours defined in contracts/employment agreements exceed 48 hours per week?		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	E1: If yes , please detail hours, %, types of workers affected and frequency Please give details:
F: Are workers provided with at least 1 day off in every 7-day-period, or 2 in 14-day-period?		F2: Please select all applicable: <input checked="" type="checkbox"/> 1 in 7 days <input type="checkbox"/> 2 in 14 days <input type="checkbox"/> No If 'No', please explain:	F3: Is this allowed by local law? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Maximum number of days worked without a day off (in sample):			

Commented [A59]: Please tick 'No' for if no any contracts or employment agreements is provided.

	6 days	
Standard/Contracted Hours worked		
G: Were standard working hours over 48 hours per week found?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	G1: If yes, % of workers & frequency: N/A
H: Any local waivers/local law or permissions which allow averaging/annualised hours for this site?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	H1: If yes, please give details: N/A
Overtime Hours worked		
I: Actual overtime hours worked in sample (State per day/week/month)	Highest OT hours: January 2019: 3 hours per day, 20 hours per week, 70 hours per month November 2018: 3 hours per day, 20 hours per week, 80 hours per month May 2018: 3 hours per day, 18 hours per week, 50 hours per month	
J: Combined hours (standard or contracted + overtime hours = total) over 60 found? Please give details:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
K: Approximate percentage of total workers on highest overtime hours:	___60___%	
L: Is overtime voluntary?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Conflicting Information	L1: Please detail evidence e.g. Wording of contract / employment agreement / handbook / worker interviews / refusal arrangements: Contracts stated that overtime may be requested but it was voluntary
Overtime Premiums		
M: Are the correct legal overtime premiums paid?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A – there is no legal requirement to OT premium	M1: Please give details of normal day overtime premium as a % of standard wages: 150% of minimum wage rate for weekday overtime, 200% of minimum wage rate for weekend overtime, no overtime work on statutory holiday. The overtime wage was calculated based on minimum wage but not standard wage.
N: Is overtime paid at a premium?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	N1: If yes, please describe % of workers & frequency: 100% workers in every month

Commented [A60]: Auditor should specify the highest OT hours per day, week and month according to the samples' attendance records.

Commented [A61]: If different OT rates are used or the OT wage calculation are not based on the standard/normal wage, please give details.

<p>O: If the site pays less than 125% OT premium and this is allowed under local law, are there other considerations? Please complete the boxes where relevant.</p>	<input type="checkbox"/> No <input type="checkbox"/> Consolidated pay (May be standard wages above minimum legal wage, with no/low overtime premium) <input type="checkbox"/> Collective Bargaining agreements <input type="checkbox"/> Other
	<p>O1: Please explain any checked boxes above e.g. detail of consolidated pay / CBA or Other</p> <p>N/A</p>
<p>P: If more than 60 total hours per week and this is legally allowed, are there other considerations? Please complete the boxes where relevant.</p>	<input type="checkbox"/> Overtime is voluntary <input type="checkbox"/> Onsite Collective bargaining allows 60+ hours/week <input type="checkbox"/> Safeguards are in place to protect worker's health and safety <input type="checkbox"/> Site can demonstrate exceptional circumstances <input type="checkbox"/> Other reasons (please specify)
	<p>P1: Please explain any checked boxes above e.g. detail of consolidated pay / CBA or other:</p> <p>N/A</p>
<p>Q: Is there evidence that overtime hours are being used for extended periods to make up for labour shortages or increased order volumes?</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>Q1: If yes, please give details: In peak season, extra overtime was worked rather than took on another shift.</p>
<p>R: If sufficient workers cannot be hired, are new working time arrangements explored to ensure that overtime is the exception rather than the rule.</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Commented [A62]: This field is only applicable if site pays less than 125% OT.

7: No Discrimination is Practiced

[\(Click here to return to summary of findings\)](#)

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:

- There was one issue regarding equal job/equal pay, which could not be verified by auditor, please see observation.
- 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 was 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.
- 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 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):

Details:

- The hiring and termination procedure, leave application records and employee handbook.
- Payrolls
- Attendance records
- Termination records
- Training records

Any other comments: Nil

A: Gender breakdown of Management + Supervisors (Include as one combined group)	A1: Male: __75__ % A2: Female __25__ %
B: Number of women who are in skilled or technical roles e.g. where specific qualifications are needed i.e. machine engineer / laboratory analyst:	#: 2 laboratory workers are female, testing effluent
C: Is there any evidence of discrimination based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation?:	<input checked="" type="checkbox"/> Hiring - discrimination during hiring based on age. 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. <input type="checkbox"/> Compensation <input type="checkbox"/> Access to training <input type="checkbox"/> Promotion <input type="checkbox"/> Termination or retirement <input type="checkbox"/> No evidence of discrimination found C1: Please give details:

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Professional Development

A: What type of training and development are available for workers?

All workers Were given H&S training. females as well as males were trained to become supervisors and managers

B: Are HR decisions e.g. promotion, training, compensation based on objective, transparent criteria?

☒ Yes
☐ No

If no, please give details:

Non-compliance:

1. Description of non-compliance:

☒ NC against ETI ☐ NC against Local Law ☐ NC against customer code:

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.

Local law and/or ETI requirement:

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.

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 ☐ NC against Local Law ☐ NC against customer code:

It was noted that before hiring, a health examination was conducted and for female applicants the report including pregnancy test. This was a relatively new practice, which had been implemented since June 2018. A total of 15 women had done the pregnancy test and one of them had been found pregnant and had not been given a job. It was not clear if this was due to pregnancy or other circumstances.

Local law and/or ETI requirement:

Objective evidence

observed:

(where relevant please add photo numbers)

1. Per recruitment poster, site tour, worker interview and management interview.

2. Health examination records, pregnancy test records, worker interview and management interview.

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.

Recommended corrective action:

It is recommended that the facility should stop this practice to avoid any discrimination on employees.

Factory comments:

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 woman had not been given a job.

3. Description of non-compliance:

☒ NC against ETI ☐ NC against Local Law ☐ NC against customer code:

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

Local law and/or ETI requirement:

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.

Recommended corrective action:

The procedure shall be developed and communicated to workers through document and training.

3. Management system documentation and management interview.

Observation:

Description of observation:

Some workers reported other workers found it easier to take time off as they were friendlier to supervisors and management. The auditor could not verify this through management interviews or record cross-checking.

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:

Management will investigate during next worker survey to determine if this is an issue and remind all workers and supervisors of the 1-step leave policy to ensure everyone knows the process and follows it.

Objective evidence observed:

Worker and management interview, leaving records.

Good Examples observed:

Description of Good Example (GE):

The site had policies and processes which upskilled female workers to supervisors and managers. They were still developing this process and keeping records to demonstrate its effectiveness.

Objective Evidence Observed:

Workers and managers interviews, personnel files

8: Regular Employment Is Provided

[\(Click here to return to summary of findings.\)](#)

[\(Click here to return to Key Information\)](#)

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.

Additional Elements: Responsible Recruitment

8.3 Suppliers have full understanding of the entire recruitment process and assess all labour recruiters and intermediaries against legal and/or ethical requirements.

8.4 There are effective management systems in place to identify and monitor the hiring and management of all migrant workers, contract workers, agency workers, temporary or casual labour. The supplier shall implement processes to enable adequate control over agencies with regards the above points and related legislation.

8.5 Employment agencies must only supply workers registered with them.

8.6 Workers pay no recruitment fee at any stage of the recruitment process.

8.7 Worker contracts accurately reflect the agreed payment and terms in the recruitment process and are understood and signed by workers.

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 permanent workers (local and migrant) were recruited by the factory directly. During peak season, the factory hired 50 temporary local workers. The site used a local recruitment agent, Mr LLL, to recruit these workers. Management and worker interviews confirmed that the same workers were hired year on year for this purpose.

The site does not have proper systems in place to manage the temporary workers in compliance with the code of local labour law, please see NC below.

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

A small number of permanent 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):

Details:

The hiring and termination practises (not formalised)

Personal files

Payroll records

Contracts

Any other comments: Nil

Non-compliance:

1. Description of non-compliance:

☒ NC against ETI ☒ NC against Local Law ☐ NC against customer code:

Random checked 42 workers' labour contracts, it was noted that one worker was recruited in April 2018 and one worker was recruited in May 2018, but they both signed contract on 01 September 2018. The factory would normally sign labour contract with new recruited workers within one month after the recruitment, however, the procedure was not effective, and some workers were not given a contract until they notified the management about this. A review of all workers employed since February 2018 (30) showed that 3 more employees had not received a contract within one month of their joining the facility, however they had received after three months (in June), and so only two employees now lacked contacts.

Local law and/or ETI requirement:

Local law:

Article 10 of the Law of the People's Republic of China on Employment Contract, in establishing employment relationship, a written employment contract shall be concluded. Where no written employment contract is concluded at the time of establishment of an employment relationship, a written employment contract shall be concluded within one month beginning from the date on which the employee starts to work. Where the employment contract is concluded before the date on which the employee starts to work, the employment relationship shall be established on the date on which the employee starts to work.

ETI requirement:

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.

Objective evidence observed:

(where relevant please add photo numbers)

1. Workers' contracts, workers interview, Management interview.

2. Description of non-compliance:

☒ NC against Additional Elements ☒ NC against Local Law ☐ NC against customer code:

During peak months, the facility used up to 50 temporary workers to support with orders. These workers came from the local region and were recruited through a local labour agent, Mr LLL.

According to the interview with management, there were no formal system in place to manage and monitor the working conditions of these workers.

According to the interview with workers and records review, which showed that workers worked the same hours and received the same pay as permanent workers.

However, the personnel records for these workers were incomplete, and didn't include copies of identity cards. Furthermore, these workers were paid in cash.

Local law and/or ETI requirement:

Additional elements:

2. Worker personnel

records, worker interview, Management interviews

8.4 There are effective management systems in place to identify and monitor the hiring and management of all migrant workers, contract workers, agency workers, temporary or casual labour The supplier shall implement processes to enable adequate control over agencies with regards the above points and related legislation.

Recommended corrective action:

The factory should ensure all temporary workers are provided with personnel records, working hours and wage records and that these are kept on file for at least two years for each worker.

Where possible the site should pay temporary workers by bank transfer.

Observation:

Description of observation:

None observed

Local law or ETI requirement:

Comments:

Objective evidence observed:

Good Examples observed:

Description of Good Example (GE):

None observed

Objective Evidence Observed:

Responsible Recruitment

All Workers

A: Were all workers presented with terms of employment at the time of recruitment, did they understand them and are they same as current conditions?

- ☒ Terms & Conditions presented
☐ Understood by workers
☒ Same as actual conditions

A1: If any are unchecked, please describe finding and specific category(ies) of workers affected:
Workers were not clear about all the terms and conditions of their employment. Newer workers and cleaners did not realise that they were being paid below minimum wage in some instances.

B: Did workers' pay any fees, taxes, deposits or bonds for the purpose of recruitment/placement?

- ☒ Yes
☐ No
B1: If yes, please describe details and specific category(ies) of workers affected: Deposits for PPE

C: If yes, check all that apply:	<input type="checkbox"/> Recruitment / hiring fees <input type="checkbox"/> Service fees <input type="checkbox"/> Application costs <input type="checkbox"/> Recommendation fees <input type="checkbox"/> Placement fees <input type="checkbox"/> Administrative, overhead or processing fees <input type="checkbox"/> Skills tests <input type="checkbox"/> Certifications <input type="checkbox"/> Medical screenings <input type="checkbox"/> Passports/ID's <input type="checkbox"/> Work / resident permits <input type="checkbox"/> Birth certificates <input type="checkbox"/> Police clearance fees <input type="checkbox"/> Any transportation and lodging costs after employment offer <input type="checkbox"/> Any transport costs between work place and home <input type="checkbox"/> Any relocation costs after commencement of employment <input type="checkbox"/> New hire training / orientation fees <input type="checkbox"/> Medical exam fees <input type="checkbox"/> Deposit bonds or other deposits <input type="checkbox"/> Any other non-monetary assets <input checked="" type="checkbox"/> Other – C1: If other, please give details: Deposits for PPE
D: If any checked, give details:	Deposits for PPE, see non-compliance in 1. Freely chosen Employment

Migrant Workers:

The term "migrant worker" refers to a person who is engaged or has been engaged in a remunerated activity in a country of which they are not a national or permanent resident or has purposely migrated on a temporary basis to another in-country region to seek and engage in a remunerated activity.

A: Type of work undertaken by migrant workers:	No migrant worker in this facility	
B: Please give details about recruitment agencies for migrant workers:	B1: Total number of (in country recruitment agencies) used: 0 B2: Total number of (outside of local country) recruitment agencies used: 0	
C: Are migrant workers' voluntary deductions (such as for remittances) confirmed in writing by the worker and is evidence of the transaction supplied by the facility to the worker?	<input type="checkbox"/> Yes <input type="checkbox"/> No C1: Please describe finding: N/A	C2: Observations: N/A
	<input type="checkbox"/> Yes <input type="checkbox"/> No D1: If yes, number and example of roles: N/A	
D: Are Any migrant workers in skilled, technical, or management roles Migrant Workers (this should include all migrant workers including permanent workers, temporary and/or seasonal workers)		

NON-EMPLOYEE WORKERS

Recruitment Fees:	
A: Are there any fees?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
B: If yes, check all that apply:	<input type="checkbox"/> Recruitment / hiring fees <input type="checkbox"/> Service fees <input type="checkbox"/> Application costs <input type="checkbox"/> Recommendation fees <input type="checkbox"/> Placement fees <input type="checkbox"/> Administrative, overhead or processing fees <input type="checkbox"/> Skills tests <input type="checkbox"/> Certifications <input type="checkbox"/> Medical screenings <input type="checkbox"/> Passports/ID's <input type="checkbox"/> Work / resident permits <input type="checkbox"/> Birth certificates <input type="checkbox"/> Police clearance fees <input type="checkbox"/> Any transportation and lodging costs after employment offer <input type="checkbox"/> Any transport costs between work place and home <input type="checkbox"/> Any relocation costs after commencement of employment <input type="checkbox"/> New hire training / orientation fees <input type="checkbox"/> Medical exam fees <input type="checkbox"/> Deposit bonds or other deposits <input type="checkbox"/> Any other non-monetary assets <input checked="" type="checkbox"/> Other B1 – If other, please give details:
C: If any checked, give details:	Deposits for PPE, see non-compliance in 1. Freely chosen Employment

Agency Workers (if applicable)	
<i>(workers sourced from a local agent who are not directly paid by the site, but paid by the agency. Usually the agencies are paid by the site and the wages of the individual workers are paid by the agency.)</i>	
A: Number of agencies used (average):	A1: Names if available: One agency. Mr LLL, a local recruitment agent, supplied 50 local workers during peak season to the factory for a fixed fee per worker.
B: Were agency workers' age /pay /hours included within the scope of this audit?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
C: Were sufficient documents for agency workers available for review?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
D: Is there a legal contract / agreement with all agencies?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

	D1: Please give details: The site had a long-standing relationship with Mr LLL over several years and he supplied 50 workers during peak season.
E: Does the site have a system for checking labour standards of agencies? If yes, please give details.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No E1: Please give details: The HR manager noted that all workers hired through the labour agent were local and therefore they felt secure in the knowledge workers had good labour standards. Furthermore, the facility paid temporary workers directly in cash and felt secure their wages were acceptable.

Contractors: <i>Note: contractors in this context are generally individuals who supply several workers to a site. Usually the contractors are paid by the site and the wages of the workers are paid by the contractor. Common terms include, gang bosses, labor provider,</i>	
A: Any contractors on site?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No A1: If yes, how many contractors are present, please give details: One contractor – canteen staffs
B: If Yes , how many workers supplied by contractors?	10 canteen staffs
C: Do all contractor workers understand their terms of employment?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No C1: Please describe finding: 2 canteen staffs were included as part of worker interview sample
D: If Yes , please give evidence for contractor workers being paid per law:	The facility paid the contractor and then the contractor paid his workers, however the wages were overseen by the HR department of the facility.

8A: Sub-Contracting and Homeworking

[\(Click here to return to summary of findings.\)](#)

[\(Click here to return to Key Information.\)](#)

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.

Note to auditor on subcontracting : auditor should use this section for subcontractors of part made or wholly made finished goods, this section should not be used for raw material manufacturers unless instructed otherwise by customers

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 was done outside at small subcontractor units who were well known to the main site
- The relationship between the main site and its subcontractors had been over many years
- The facility used 2 main subcontractors
- The subcontract facilities were paid by the piece returned but the main facility didn't have total visibility of the conditions of the subcontract units
- The main facility had QC's who visited the subcontract units on a regular basis to both informed on the quality required and inspected stock before despatched
- They examined and advised the units on health and safety
- There was no mechanism in place for monitoring the sub contract units for agreement with laws or the code
- The main facility had no discussions with the sub-contract 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):

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

Process Subcontracted	Process 1: Assembling	Process 2: Moulding
Name of factory	Unit AAA	Unit BBB
Address	Address XXX	Address YYY

Details:

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

Commented [A63]: 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.

Commented [A64]: If no subcontracting or homeworking is used, please remove these tables.

Other comments: Nil

Non-compliance:

1. Description of non-compliance:

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

☐ NC against customer code:

From interview with the management and workers, the main client had not been informed of the subcontracting at this facility.

It was noted that 2 subcontractors were used by the facility.

1. Subcontractor name: Unit AAA

Address: Address XXX

Contactor name: Mr. JJJ

Tel: 00-00000000

Subcontractor process: Assembling

2. Subcontractor name: Unit BBB

Address: Address YYY

Contactor name: Mr. KKK

Tel: 00-00000000

Subcontractor process: Moulding

Local law and/or ETI /Additional Elements requirement:

Additional elements:

8A.1 There should be no sub-contracting unless previously agreed with the main client.

Recommended corrective action:

The site should make their main client aware of the sub-contracting units used for Assembling and moulding.

2. Description of non-compliance:

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

☐ NC against customer code:

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

Although QC personnel from the main facility visited the subcontract facilities, there was no knowledge of the hours, wages and benefits paid to the subcontract workers.

Local law and/or ETI requirement:

Additional elements:

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.

Objective evidence observed:

(where relevant please add photo numbers)

1. Management Interview, worker interview, facility tour, production records, raw material records

2. Management interviews, management system, documents review.

Observation:
Description of observation:

There was no formal contract with the 2 sub-contractors, the facility had worked with the same sub-contractors over a long time and has not seen a need for a formalised contract as the relationship had always been good; however, they were currently in the process of formalising the subcontracting and set up a written contract (on-going).

Local law or ETI/Additional elements requirement:

8A.2 Systems and processes should be in place to manage sub-contracting, homeworking and external processing.

Comments:

Formalize contracts with sub-contractors including control system should be prepared in this facility.

Objective evidence observed:

Management interview, management system, documentation review.

Good Examples observed:
Description of Good Example (GE):

None observed

Objective Evidence Observed:
Summary of sub-contracting – if applicable
☐ Not Applicable please x

A: Has the auditor made a simple calculation to compare capacity with workers' work load in order to identify possible unrecorded work or undeclared sub-contracting

☒ Yes
☐ No

A1: Please describe:

The facility had very high production during peak season (Nov-Dec), however, they also had high OT hours for mainly of their workers, from comparison, workload and production were not in balance, however, this was explained by the sub-contracting (2 sub-contractors).

B: If sub-contractors are used, is there evidence this has been agreed with the main client?

☐ Yes
☒ No

B1: If **yes**, summarise details:

C: Number of sub-contractors/agents used

2

D: Is there a site policy on sub-contracting?

☐ Yes
☒ No

D1: If **yes**, summarise details:

E: What checks are in place to ensure no child labour is being used and work is safe?

Currently sub-contractors were not being managed by the site, there were no checks on whether children were present, and customers were also unaware of the sub-contracting processes. QC visits did give some health and safety advices.

Commented [A65]: If no subcontracting or homeworking is used, please ignore these table i.e. do not complete this table.

Summary of homeworking – if applicable			
<input checked="" type="checkbox"/> Not Applicable please x			
A: If homeworking is being used, is there evidence this has been agreed with the main client?	<input type="checkbox"/> Yes <input type="checkbox"/> No A1: If Yes , summarise details:		
B: Number of homeworkers	B1: Male:	B2: Female:	Total:
C: Are homeworkers employed direct or through agents?	<input type="checkbox"/> Directly <input type="checkbox"/> Through Agents		C1: If through agents, number of agents:
D: Is there a site policy on homeworking?	<input type="checkbox"/> Yes <input type="checkbox"/> No		
E: How does site ensure worker hours and pay meet local laws for homeworkers?			
F: What processes are carried out by homeworkers?			
G: Do any contracts exist for homeworkers	<input type="checkbox"/> Yes <input type="checkbox"/> No G1: Please give details:		
H: Are full records of homeworkers available at the site?	<input type="checkbox"/> Yes <input type="checkbox"/> No		

9: No Harsh or Inhumane Treatment is Allowed

[\(Click here to return to summary of findings\)](#)

ETI

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

Additional elements:

9.2 companies should provide access to a confidential grievance mechanism for all workers

A: 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 3 rd party?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No A1: Please give details: There was suggestion box, and an internal confidential email address for reporting grievances.
B: If Yes , are workers aware of these channels and have access? Please give details.	Not all workers were aware of these processes, suggestion box was known by 85% of workers and confidential email address was known by 60% of workers, please see clause 2 and 9.
C: If yes, what type of mechanism is used e.g. hotline, whistle blowing mechanism, comment box etc. Please give details.	Confidential email, issues were discussed at senior management level and investigated by the responsible person.
D: Which of the following group is there a grievance mechanism in place for?	<input checked="" type="checkbox"/> Workers <input type="checkbox"/> Communities <input type="checkbox"/> Suppliers <input type="checkbox"/> Other D1: Please give details: There was a confidential email and suggestion box system, monitored by relevant trained HR managers.
E: Are there any open disputes?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No E1: If yes, please give details
F: Does the site encourage its business partners (e.g. suppliers) to provide individuals and communities with access to effective grievance mechanisms (e.g. helplines or whistle blowing mechanism)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No F1: If no, please give details: This matter was not discussed with the facility's business partners
G: Is there a published and transparent disciplinary procedure?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No G1: If no, please explain
H: If yes, are workers aware of these the disciplinary procedure?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No H1: If no, please give details

I: Does the disciplinary procedure allow for deductions from wages (fines) for disciplinary purposes (see wages section)?

☐ Yes
☒ No
 I1: If yes, please give details

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:

- From documents management had established a disciplinary procedure for workers' misbehaviour which included oral warning, written warning and finally termination and the facility 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, documents 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 was an internal process for grievance, which was an anonymous email address, where workers could report any grievances (harassment, bullying, discrimination etc.); any received complaint would be handled by management, without any reprisal for the worker in question.

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

Details:
 The relevant policy on prevention of harassment and abuse Internal grievance procedure documentation.
 Training records
 Any other comments: Nil

Commented [A66]: Auditor must always record if this has confirmed by worker interview.

Non-compliance:

1. Description of non-compliance:

☒ NC against ETI ☐ NC against Local Law ☐ NC against customer code:

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

Local law and/or ETI requirement:

ETI requirement:

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

Recommended corrective action:

Objective evidence observed:

(where relevant please add photo numbers)
 Factory policies, management interview and workers' handbook.

It is recommended that the facility should remove the physical punishment rule from the handbook.

Observation:

Description of observation:

None observed

Local law or ETI requirement:

Comments:

Objective evidence observed:

Good Examples observed:

Description of Good Example (GE):

None observed

Objective Evidence Observed:

10. Other Issue areas: 10A: Entitlement to Work and Immigration

[\(Click here to return to summary of findings\)](#)

Additional Elements

10A.1 Only workers with a legal right to work shall be employed or used by the supplier.
10A.2 All workers, including employment agency staff, must be validated by the supplier for their legal right to work by reviewing original documentation.

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 documents review, factory management representation and worker interview, all workers in the factory was Chinese, no migrant worker from other country was noted in the facility.
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 facility and one agency was used in facility's recruitment process in peak season. No foreign worker was used by the factory.

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

Details:
Hiring procedure
Personnel files
Worker handbook

Any other comments: Nil

Commented [A67]: Agency workers (e.g. canteen staff, cleaners, security staff and other workers) are also part of this audit and the auditor need to check their personnel files and wages/hours records too. Please ensure that the status answer matches the elements above. Especially how was this checked and what were the findings.

Non-compliance:

1. Description of non-compliance:

- ☐ NC against ETI/Additional Elements
☐ NC against customer code:

☐ NC against Local Law

None observed

Local law and/or ETI /Additional Elements requirement:

Recommended corrective action:

Objective evidence observed:

(where relevant please add photo numbers)

Observation:

Description of observation: None observed Local law or ETI/Additional Elements requirement: Comments:	Objective evidence observed:
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Good examples observed:	
Description of Good Example (GE): None observed	Objective Evidence Observed:

10. Other issue areas 10B4: Environment 4–Pillar

[\(Click here to return to summary of findings\)](#)

To be completed for a 4–Pillar SMETA Audit and remove the previous page which is 10B2 environment 2 pillar

B.4. Compliance Requirements

- 10B4.1 Businesses as a minimum must meet the requirements of local and national laws related to environmental standards.
- 10B4.2 Where it is a legal requirement, businesses 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 Businesses shall be aware of their end client's environmental standards/code requirements
- 10B4.4 Suppliers should have an environmental policy, covering their environmental impact, which is communicated to all appropriate parties, including its own suppliers.
- 10B4.5 Suppliers shall be aware of the significant environmental impact of their site and its processes.
- 10B4.6 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).
- 10B4.7 Businesses shall make continuous improvements in their environmental performance.
- 10B4.8 Businesses shall have available for review any environmental certifications or any environmental management systems documentation
- 10B4.9 Businesses should have a nominated individual responsible for co-ordinating the site's efforts to improve environmental performance.

B4. Guidance for Observations

- 10B4.10 Suppliers should have completed the appropriate section of the SAQ and made it available to the auditor.
- 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 facility management maintained all legally required environmental documents (except for hazardous waste transfer manifest – see NC below) in place which proved that the production of the facility 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 reports for air emission, wastewater and boundary noise were provided for review, and the results were within the restriction per environmental law. Based on observation on site, wastes were classified and collected on site.
- Based on worker's interview, they were trained on environmental protection.

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

Details:

- 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

Any other comments: Nil

Commented [A68]: As a minimum, this should include the individual(s) identified by the site as the person(s) responsible for Environmental performance. As a minimum the auditor should interview at least one worker for Environment section.

Non-compliance:

1. Description of non-compliance:

- ☒ NC against ETI/Additional Elements ☒ NC against Local
☐ NC against customer code:

It was noted that the facility provided the contact to prove the waste paint slag (HW12) was disposed by ZZZ Solid Waste Dispose Co., Ltd to. And the contractor had the valid contractor's hazardous waste operation license. However, the facility management was unable to provide the hazardous waste transfer manifest for review.

Local law and/or ETI/Additional Elements requirement:

Local law:

Article 6 of the Measures for Administration of Hazardous Waste Transfer Manifest, Units who generate hazardous waste shall truthfully fill the section for generation units in the hazardous waste transfer manifest and stamp the official seal. When the hazardous waste transfer manifest was delivered to the transport unit for verifying and signing, the duplicate invoice of the first joint of the hazardous waste transfer manifest should be retained and archived.

Additional element:

10B4.2 Where it is a legal requirement, businesses 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 facility should ensure that the hazardous waste disposed by qualified contractors and the transfer manifests are well retained.

Objective evidence observed:

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

Observation:

Description of observation:

Site had not completed the SAQ (including environmental information).

Local law or ETI/Additional elements requirements:

Additional elements:

Objective evidence observed:

Per documents review and management interview.

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

Comments:

The facility was in the process of finishing the SAQ.

Good examples observed:

Description of Good Example (GE):

None observed

Objective Evidence Observed:

Environmental Analysis	
(Site declaration only – this has not been verified by auditor. Please state units in all cases below.)	
A: Is there a manager responsible for Environmental issues (Name and Position):	Mr EEE, Factory Manager
B: Has the site conducted a risk assessment on the environmental impact of the site, including implementation of controls to reduce identified risks?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No B1: Please give details: The facility conducted a risk assessment on the environmental impact of the site. All related records had been provided for review.
C: Does the site have a recognised environmental system certification such as ISO 14000 or equivalent? Please detail.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No C1: Please give details:
D: Does the site have an Environmental policy? (For guidance, please see Measurement criteria)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No D1: If yes, is it publicly available? The Environmental policy was public in the company's website.
E: If yes, does it address the key impacts from their operations and their commitment to improvement?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No E1: Please give details: The key impacts are waste generating, air emissions, wastewater discharging, noise emissions from injection moulding, rotational moulding, spray painting, tempo printing, embroidery and stuffing processes. And the site had set the rated energy conservation and emission reduction policy.
F: Does the site have a Biodiversity policy? (For guidance, please see Measurement criteria)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
G: Is there any other sustainability systems present such as Chain of Custody, Forest Stewardship Council (FSC), Marine Stewardship Council (MSC) etc.? Please detail. (For guidance, please see Measurement criteria)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No G1: Please give details: The facility did not have any environmental certificates.
H: Have all legally required permits been shown? Please detail.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H1: Please give details: No hazardous waste transfer manifest was provided
I: Is there a documentation process to record hazardous chemicals used in the manufacturing process?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A I1: Please give details: The facility had not yet formalised a documentation process for hazardous chemicals used, however, they were in the process of creating this (see observation).

J: Is there a system for managing client's requirements and legislation in the destination countries regarding environmental and chemical issues?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No J1: Please give details: This was included in the facility's internal management system.	
K: Facility has reduction targets in place for environmental aspects e.g. water consumption and discharge, waste, energy and green-house gas emissions:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No K1: Please give details: Reduction targets were established to reduce costs.	
L: Facility has evidence of waste recycling and is monitoring volume of waste that is recycled.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No L1: Please give details: Weights of recycled wastes were recorded for continuous improvement targets.	
M: Does the facility have a system in place for accurately measuring and monitoring consumption of key utilities of water, energy and natural resources that follows recognised protocols or standards?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No M1: Please give details: Measured to reduce costs.	
N: Has the facility checked that any Sub-Contracting agencies or business partners operating on the premises have the appropriate permits and licences and are conducting business in line with environmental expectations of the facility?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No N1: Please give details: The facility didn't monitor the environmental performance of the sub-contractors.	
Usage/Discharge analysis		
Criteria	Previous year: Please state period: _2017_	Current Year: Please state period: _2018_
Electricity Usage: <i>Kw/hrs</i>	8100000 kW · h	7900000 kW · h
Renewable Energy Usage: <i>Kw/hrs</i>	1200 kW · h (Solar energy and wind energy)	1300 kW · h (Solar energy and wind energy)
Gas Usage: <i>Kw/hrs</i>	7000 kW · h	5000 kW · h
Has site completed any carbon Footprint Analysis?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If Yes , please state result	N/A	N/A
Water Sources: <i>Please list all sources e.g. lake, river, and local water authority.</i>	Municipal water supply	Municipal water supply
Water Volume Used: <i>(m³)</i>	40000	37000
Water Discharged: <i>Please list all receiving waters/recipients.</i>	Municipal sewage treatment plant	Municipal sewage treatment plant

Water Volume Discharged: (m³)	25000	22000
Water Volume Recycled: (m³)	0	0
Total waste Produced (please state units)	360 ton	330 ton
Total hazardous waste Produced: (please state units)	27 ton	20 ton
Waste to Recycling: (please state units)	100 ton	90 ton
Waste to Landfill: (please state units)	0	0
Waste to other: (please give details and state units)	0	0
Total Product Produced (please state units)	5,000,000 pieces	4,800,000 pieces

10C: Business Ethics – 4-Pillar Audit

[\(Click here to return to summary of findings\)](#)

To be completed for a 4-Pillar SMETA Audit

10C. Compliance Requirements

10C.1 Businesses shall conduct their business ethically without bribery, corruption, or any type of fraudulent Business Practice.

10C.2 Businesses as a minimum must meet the requirements of local and national laws related to bribery, corruption, or any type of fraudulent Business Practices.

10C.3 Where it is a legal requirement, businesses must be able to demonstrate that they comply with all fiscal legislative requirements.

10C.4 Businesses shall have access to a transparent system in place for confidentially reporting, and dealing with unethical Business Ethics without fear of reprisals towards the reporter.

10C.5 Businesses should have a Business Ethics policy, covering bribery, corruption, or any type of fraudulent Business Practice,

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

10C.7 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.

10C. Guidance for Observations

10C.8 Businesses should communicate their Business Ethics policy, covering bribery, corruption, or any type of fraudulent Business Practice to all appropriate parties, including its own suppliers.

10C.9 Has the site recently been subject to (or pending) any fines/prosecutions for non-compliance to Business Ethics regulations. If so is there evidence that sustainable corrective actions have been implemented

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.

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 was an internal grievance process, which was an anonymous email address, please see clause 9.

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

Details:

The company business ethics policy including

- Bribery
- Corruption Training records Worker handbook

- Reports from Anonymous email account
- Worker and management interview

Any other comments: Nil

Commented [A69]: As a minimum, this should include the individual(s) identified by the site as the person(s) responsible for Business Ethics performance. As a minimum the auditor should interview at least one worker for Business Ethics section.

Non-compliance:

1. Description of non-compliance:

- ☒ NC against ETI/Additional Elements ☐ NC against Local
☐ NC against customer code:

The facility had not delivered formal training to employees and workers on its Whistle blowing policy. Management agreed this had not yet been delivered and they meant to update their training to include it.

Local law and/or ETI/Additional Elements requirement:

Additional elements:

10C.4 Businesses shall have access to a transparent system in place for confidentially reporting, and dealing with unethical Business Ethics without fear of reprisals towards the reporter.

10C.5 Businesses should have a Business Ethics policy, covering bribery, corruption, or any type of fraudulent Business Practice,

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

Recommended corrective action:

It is recommended that facility should ensure provide training to all employees on the whistle-blowing policy and maintain records of these training sessions.

Objective evidence observed:

(where relevant please add photo numbers)

Management interview, policy review, workers interview.

Observation

Description of observation:

None observed

Local law or ETI/Additional elements requirement:

Additional elements:

Comments:

Objective evidence observed:

Good examples observed:

Description of Good Example (GE):

None observed

Objective Evidence Observed:

<p>A: Does the facility have a Business Ethics Policy and is the policy communicated and applied internally, externally or both, as appropriate?</p>	<p><input checked="" type="checkbox"/> Internal Policy <input type="checkbox"/> Policy for third parties including suppliers</p> <p>A1: Please give details:</p> <p>There was a written policy on the need to avoid bribes and fraudulent practices.</p>
<p>B: Does the site give training to relevant personnel (e.g. sales and logistics) on business ethics issues?</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>B1: Please give details:</p> <p>No formal training was given but relevant personnel know the policy.</p>
<p>C: Is the policy updated on a regular (as needed) basis?</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>C1: Please give details:</p> <p>Examined each year by HR department and adjusted if needed.</p>
<p>D: Does the site require third parties including suppliers to complete their own business ethics training</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>D1: Please give details:</p> <p>No discussion on this topic with 3rd parties</p>

Other findings

Other Findings Outside the Scope of the Code

Nothing to report

Community Benefits

(Please list below any specific community benefits that the site management stated that they were involved in, for example, HIV programme, education, sports facilities)

Nothing to report

Appendix 1

<p>Comparison between ETI code and Customer's Supplier's Code. Any areas where a site complies with the Customer's Supplier Code, but not with the ETI code are discussed at the audit close out meeting and recorded on the CAPR. Note to supplier "for this customer it may not be necessary to complete corrective actions where NC's DO NOT meet the ETI code, but DO meet your customer's code. If the audit is shared with other customers who work to the ETI code or an equivalent international standard, corrective actions will be necessary."</p> <p><input checked="" type="checkbox"/> Not Applicable please x</p>	
<p>NOTE: The provisions of the ETI base Code constitute minimum and not maximum standards, and this code should not be used to prevent companies from exceeding these standards. Companies applying the ETI Base Code are expected to comply with national and other applicable law and, where the provisions of law and the ETI Base Code address the same subject, to apply that provision which affords the greater protection.</p>	<p>Instruction to Audit Company: fill in the relevant clauses from the Customer Supplier Code - where applicable.</p>
ETI Code / Additional Elements	Customer's Supplier Code equivalent
0.A. Universal Rights covering UNGP	0.A. Universal Rights covering UNGP
<p>0.A. Guidance for Observations</p> <p>0.A.1 Businesses should have a policy, endorsed at the highest level, covering human rights impacts and issues, and ensure it is communicated to all appropriate parties, including its own suppliers.</p> <p>0.A.2 Businesses should have a designated person responsible for implementing standards concerning Human rights</p> <p>0.A.3 Businesses shall identify their stakeholders and salient issues.</p> <p>0.A.4 Businesses shall measure their direct, indirect, and potential impacts on stakeholders (rights holders) human rights.</p> <p>0.A.5 Where businesses have an adverse impact on human rights within any of their stakeholders, they shall address these issues and enable effective remediation.</p> <p>0.A.6 Businesses shall have a transparent system in place for confidentially reporting, and dealing with human rights impacts without fear of reprisals towards the reporter.</p>	
0.B. Management Systems & Code Implementation	0.B. Management Systems & Code Implementation
<p>0.1 Suppliers are expected to implement and maintain systems for delivering compliance to this Code.</p>	

Commented [A70]: Please cross if not applicable and delete table, only leave the head of the table.

<p>0.2 Suppliers shall appoint a senior member of management who shall be responsible for compliance with the Code.</p> <p>0.3 Suppliers are expected to communicate this Code to all employees.</p> <p>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.</p>	
ETI 1. Forced Labour	ETI 1. Forced Labour
<p>1.1 There is no forced, bonded or involuntary prison labour.</p> <p>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.</p>	
ETI 2. Freedom of association and the right to collective bargaining are respected	ETI 2. Freedom of association and the right to collective bargaining are respected
<p>2.1 Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.</p> <p>2.2 The employer adopts an open attitude towards the activities of trade unions and their organisational activities.</p> <p>2.3 Workers' representatives are not discriminated against and have access to carry out their representative functions in the workplace.</p> <p>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.</p>	
ETI 3. Working conditions are safe and hygienic	ETI 3. Working conditions are safe and hygienic
<p>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.</p> <p>3.2 Workers shall receive regular and recorded Health & Safety training, and such training shall be repeated for new or reassigned workers.</p> <p>3.3 Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided.</p>	

<p>3.4 Accommodation, where provided, shall be clean, safe, and meet the basic needs of the workers.</p> <p>3.5 The company observing the code shall assign responsibility for Health & Safety to a senior management representative.</p>	
ETI 4. Child labour shall not be used	ETI 4. Child labour shall not be used
<p>4.1 There shall be no new recruitment of child labour.</p> <p>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.</p> <p>4.3 Children and young persons under 18 shall not be employed at night or in hazardous conditions.</p> <p>4.4 These policies and procedures shall conform to the provisions of the relevant ILO Standards.</p>	
ETI 5. Living wages are paid	ETI 5. Living wages are paid
<p>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.</p> <p>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.</p> <p>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.</p>	
ETI 6. Working Hours are not excessive	ETI 6. Working Hours are not excessive
<p>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.</p> <p>6.2 Working hours, excluding overtime, shall be defined by contract, and shall not exceed 48 hours per week.</p>	

<p>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.</p> <p>6.4 The total hours worked in any 7 day period shall not exceed 60 hours, except where covered by clause 6.5 below.</p> <p>6.5 Working hours may exceed 60 hours in any 7 day period only in exceptional circumstances where all of the following are met:</p> <ul style="list-style-type: none"> – 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. <p>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.</p>	
ETI 7. No discrimination is practised	ETI 7. No discrimination is practised
<p>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.</p>	
ETI 8. Regular employment is provided	ETI 8. Regular employment is provided
<p>8.1 To every extent possible work performed must be on the basis of recognised employment relationship established through national law and practice.</p> <p>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</p>	

<p>provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.</p> <p>Additional Elements: Responsible Recruitment</p> <p>8.3 Suppliers have full understanding of the entire recruitment process and assess all labour recruiters and intermediaries against legal and/or ethical requirements.</p> <p>8.4 There are effective management systems in place to identify and monitor the hiring and management of all migrant workers, contract workers, agency workers, temporary or casual labour. The supplier shall implement processes to enable adequate control over agencies with regards the above points and related legislation.</p> <p>8.5 Employment agencies must only supply workers registered with them.</p> <p>8.6 Workers pay no recruitment fee at any stage of the recruitment process.</p> <p>8.7 Worker contracts accurately reflect the agreed payment and terms in the recruitment process and are understood and signed by workers.</p>	
8A: Sub-Contracting and Homeworking	8A: Sub-Contracting and Homeworking
<p>8A.1 There should be no sub-contracting unless previously agreed with the main client.</p> <p>8A.2 Systems and processes should be in place to manage sub-contracting, homeworking and external processing.</p>	
ETI 9. No harsh or inhumane treatment is allowed	ETI 9. No harsh or inhumane treatment is allowed
<p>9.1 Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited.</p> <p>Additional elements:</p> <p>9.2 companies should provide access to a confidential grievance mechanism for all workers</p>	
10. Other Issue areas: 10A: Entitlement to Work and Immigration	
<p>Additional Elements</p> <p>10A.1 Only workers with a legal right to work shall be employed or used by the supplier.</p> <p>10A.2 All workers, including employment agency staff, must be validated by the supplier for their legal right to work by reviewing original documentation.</p>	
10. Other issue areas 10B2: Environment 2-Pillar	

10B2.1 Suppliers must comply with the requirements of local and international laws and regulations including having necessary permits.
10B2.2 The supplier should be aware of and comply with their end clients' environmental requirements.
Note for auditors and readers, This is not a full environmental assessment but a check on basic systems and management approach.

SMETA Extra Sections for 4 Pillar Audit:	SMETA Extra Sections for 4 Pillar Audit:
Environment Section	Environment Section
<p>B.4. Compliance Requirements</p> <p>10B4.1 Businesses as a minimum must meet the requirements of local and national laws related to environmental standards.</p> <p>10B4.2 Where it is a legal requirement, businesses must be able to demonstrate that they have the relevant valid permits including for use and disposal of resources e.g. water, waste etc.</p> <p>10B4.3 Businesses shall be aware of their end client's environmental standards/code requirements</p> <p>10B4.4 Suppliers should have an environmental policy, covering their environmental impact, which is communicated to all appropriate parties, including its own suppliers.</p> <p>10B4.5 Suppliers shall be aware of the significant environmental impact of their site and its processes.</p> <p>10B4.6 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).</p> <p>10B4.7 Businesses shall make continuous improvements in their environmental performance.</p> <p>10B4.8 Businesses shall have available for review any environmental certifications or any environmental management systems documentation</p> <p>10B4.9 Businesses should have a nominated individual responsible for co-ordinating the site's efforts to improve environmental performance.</p> <p>B4. Guidance for Observations</p> <p>10B4.10 Suppliers should have completed the appropriate section of the SAQ and made it available to the auditor.</p> <p>10B4.11 Has the site recently been subject to (or pending) any fines/prosecutions for noncompliance to environmental regulations.</p>	
Business Practices Section	

10C. Compliance Requirements

10C.1 Businesses shall conduct their business ethically without bribery, corruption, or any type of fraudulent Business Practice.

10C.2 Businesses as a minimum must meet the requirements of local and national laws related to bribery, corruption, or any type of fraudulent Business Practices.

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

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10C. Guidance for Observations

10C.8 Businesses should communicate their Business Ethics policy, covering bribery, corruption, or any type of fraudulent Business Practice to all appropriate parties, including its own suppliers.

10C.9 Has the site recently been subject to (or pending) any fines/prosecutions for non-compliance to Business Ethics regulations. If so is there evidence that sustainable corrective actions have been implemented.

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- 2) Open the image file you wish to edit.
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- 4) Choose a percentage figure to resize the image: to avoid distortion, choose the same percentage for horizontal and vertical stretch. Click OK.
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- Save As jpeg (this provides compression to make the file smaller).
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Please add photo number for NC/OB/GE photos.

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NC 1: photo description		

OB Photo

Insert photo	Insert photo	Insert photo
OB 1: photo description		

GE Photo

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General Photo

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

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

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