

# SMETA Corrective Action Plan Report (CAPR)

Version 7



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# Audit content

**(1)** A SMETA audit was conducted which included some or all of labour standards, health and safety, environment and business ethics. The SMETA minimum requirements were applied and the SMETA auditor manual was followed. 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.

The audit scope includes an assessment of the Workplace Requirements and the Management Systems Assessment against the code areas below.

## 2-pillar audits include:

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

## 4-pillar audits include, in addition to the above:

- Environment:
  - 10.B. Environment 4-pillar
- Business ethics:
  - 10.C. Business ethics

**(2)** Where appropriate, non-compliances or non-conformances were raised where either local law or the base code were not met, and recorded as non-compliances on both the audit report, CAPR and on the Sedex Platform.

**(3)** Any non-conformance against customer code shall not be uploaded to Sedex, but sent directly to the customer in question.

# Audit details

## Site details

Sedex site reference	[REDACTED]	Site name	[REDACTED] CO Ltd
Business name	[REDACTED] CO Ltd	Site address	[REDACTED] [REDACTED] [REDACTED] CN [REDACTED]

## Audit details

Sedex company reference	ZC5000021373	Auditor company name	BUREAU VERITAS CPS - ASIA											
Audit company address	7th Floor. Octa Tower. 8 Lam Chak Street, Kowloon Bay, Kowloon, HONG KONG, CN, -													
Date of audit	2026-01-07	Audit conducted by	Lillian Liang											
Audit pillars	Labour Standards   Health and safety   Environment 4-Pillar   Business ethics													
Time in and out	<table> <thead> <tr> <th></th> <th>Day 1</th> <th>Day 2</th> </tr> </thead> <tbody> <tr> <td>In</td> <td>09:00</td> <td>In</td> <td>09:00</td> </tr> <tr> <td>Out</td> <td>17:00</td> <td>Out</td> <td>14:00</td> </tr> </tbody> </table>				Day 1	Day 2	In	09:00	In	09:00	Out	17:00	Out	14:00
	Day 1	Day 2												
In	09:00	In	09:00											
Out	17:00	Out	14:00											
Audit type	Periodic													
Was the audit announced?	Semi announced													

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Was the Sedex SAQ available for review? Yes

Who signed and agreed CAPR? Mr. [REDACTED] / Factory Director

Any conflicting information SAQ/Pre-Audit Info No

Is further information available? No

## Audit attendance

	Senior management	Worker representative	Union representative
A: Present at the opening meeting?	Yes	Yes	No
B: Present at the audit?	Yes	Yes	No
C: Present at the closing meeting?	Yes	Yes	No
Reason for absence at the opening meeting	NA. No worker union was set up in the factory.		
Reason for absence during the audit	NA. No worker union was set up in the factory.		
Reason for absence at the closing meeting	NA. No worker union was set up in the factory.		

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# SMETA declaration

## Auditor team

### SMETA declaration

I declare that the audit underpinning the following report was conducted in accordance with SMETA Minimum Requirements and the SMETA Auditor Manual.

1. Where appropriate non-compliances/ non-conformances were raised against the Base Code and local law and recorded as non-compliances/ non-conformances on both the audit report, CAPR and on the Sedex Platform.
2. Any non-conformance against customer code alone shall not be uploaded to Sedex, and will be shared directly with the customer in question.

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.

### Any exceptions to the SMETA Methodology must be recorded here (e.g. different sample size)

1. This audit includes elements beyond the scope of a Social Compliance Audit as defined by the APSCA Competency Framework. The association of the auditor's APSCA number with this report is limited to those elements outlined in the APSCA Competency Framework. APSCA makes no representations with respect to the auditor's competency to professionally evaluate compliance with any other audit elements.
2. The semi-announce window of this audit is 3 weeks from December 22, 2025 to January 12, 2026.

### Lead auditor

Lillian Liang

APSCA Number

21701326

### Additional auditor

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## Auditor team

**Date of declaration** 2026-01-08

## Site representation

**Declaration** I acknowledge that details from this report can change during the review process and that I will be given the opportunity to dispute the content once the review has been published.

**Full name** Mr. [REDACTED]

**Title** Factory Director

**Date of declaration** 2026-01-08

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**Audit company:**  
BUREAU VERITAS CPS - ASIA

**Audit reference:**  
[REDACTED]

**Start Date:** 2026-01-07    **End Date:** 2026-01-08

# Summary of findings

Code area	Workplace requirement	Area of NC	Finding
<b>3. Working conditions are safe and hygienic</b>	3.M Ensure all machinery is installed, maintained and used in accordance with safe working practices 3.N Ensure that all hazardous substances (e.g. solvents, acids, alkalis, dusts, fumes, gases, vapours, etc.) are stored, handled, transported and disposed of in accordance with safe working practices 3.N Ensure that all hazardous substances (e.g. solvents, acids, alkalis, dusts, fumes, gases, vapours, etc.) are stored, handled, transported and disposed of in accordance with safe working practices 3.O Implement an appropriate electrical safety management system 3.R Provide clean and secure toilets, wash areas and changing facilities 3.R Provide clean and secure toilets, wash areas and changing facilities	Local law Local law Local law Local law Base code Local law	NC [REDACTED] NC [REDACTED] NC [REDACTED] NC [REDACTED] NC [REDACTED] NC [REDACTED]
<b>5. Legal wages are paid</b>	5.B Ensure that workers receive the insurance and benefits to which they are entitled	Local law	NC [REDACTED]
<b>6. Working hours are not excessive</b>	6.F Ensure that where overtime is used, it is done in accordance with safe working practices	Local law	NC [REDACTED]

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# Findings: non-compliances

Non-compliance

Due 2024-02-21

**Code area**

3 Working conditions are safe and hygienic

**Status**

Closed (2026-01-15)\*

**Workplace requirement**

3.M Ensure all machinery is installed, maintained, and used in a safe manner.

**Time given to resolve**

30 days

**Issue title**

264 - Machines lack appropriate safety guards (e.g. eye or needle guards on sewing machines, belt/hand guards on other machines)

**Verification method**

Desktop audit

**Description**

Periodic Audit on January 7&8, 2026:

During this audit, it was noted that all sewing machines were installed with needle guards and pulley guards in the sewing workshop of the production building.

**Area of non-compliance/non-conformance**

Local law

**Description (carried over)**

English: It was noted that 10 out of 12 flat sewing machines in the sewing workshop were not equipped with needle guards and 2 out of 2 high-head sewing machines being used in the same workshop were not equipped with the eyes' protection devices and pulley guards.

Local language: [REDACTED]

**Corrective and preventative actions**

NC issue was corrected during this audit.

**Corrective and preventative actions (carried over)**

English: It is recommended that management adopt practices and controls to ensure that all sewing machines are equipped with needle guards and all high-head sewing machines are equipped with the eyes' protection devices and pulley guards.

Local language: [REDACTED]

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## Local law reference

In accordance with Article 6.1.6 of Code of Design of Manufacturing Equipment Safety and Hygiene, the exposed dangerous components or part of any transmission belts, rotational axis, transmission chain, coupling, belt wheel, gear, flying wheels, chain wheels, electric saw and others, which is within 2 meters height of the plane where the operator is operating such devices shall be equipped with safety devices. Article 6.3 of Code of Design of Manufacturing Equipment Safety and Hygiene, for supercooling and overheating, if the hot or supercooled parts of the production equipment may cause danger, they must be equipped with anti-contact shielding. [REDACTED]

## Evidence

[corrective action taken photo - pulley gurad was installed in the sewing machine.JPG](#)

[corrective action taken photo - needle guard was installed in the sewing machine.JPG](#)

\* PDF generated at 07:44 (UTC) on 16 Jan 2026. [View this finding on the Sedex platform](#) for live updates and closure details.

Non-compliance

Due 2025-03-14

### Code area

3 Working conditions are safe and hygienic

### Status

Closed (2026-01-15)\*

### Workplace requirement

3.N Ensure that all hazardous substances (e.g. chemicals and pesticides) are officially registered where possible, Material Safety Data Sheets are used, and they are managed appropriately at all times in line with registration and safety instructions, including storage, use and disposal.

### Time given to resolve

60 days

### Issue title

232 - Non-hazardous chemicals are stored unlabelled or labelling is incorrect

### Verification method

Desktop audit

### Description

Periodic Audit on January 7&8, 2026:

During this audit, it was noted that all chemical containers were put in the secondary containers and posted with safety labels in the production workshop of the production building.

### Area of non-compliance/non-conformance

Local law

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**Description (carried over)**

English: It was noted that 1 out of 1 machine oil container being used in the production workshops of the production building was not posted with name label.

Local language: [REDACTED]

**Corrective and preventative actions**

NC issue was corrected during this audit.

**Corrective and preventative actions (carried over)**

English: It is recommended that management adopt practices and controls to ensure that all machine oil containers stored or being used in the factory were posted with the name label.

Local language: [REDACTED]

**law reference**

English: In accordance with Article 14 of the Regulation For Chemical Usage Safety in Work Place: (1) In case of transferring or loading the chemicals purchased into a new container, it is required to mark clearly the descriptions of these chemicals on the newly adopted container. As to those hazardous chemicals that have been transferred or loaded into a new container, it is necessary to stick a safety precautions mark on the new container. (2) The original safety precautions mark upon those containers that contain hazardous chemicals shall not be replaced before these containers have been cleansed.

Local language: [REDACTED]

**Evidence**

[corrective action taken photo - the content label and secondary container were set for chemicals.JPG](#)

\* PDF generated at 07:44 (UTC) on 16 Jan 2026. [View this finding on the Sedex platform](#) for live updates and closure details.

**Non-compliance**

Due 2026-03-17

**Code area**

3 Working conditions are safe and hygienic

**Status**

Open\*

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### Workplace requirement

3.N Ensure that all hazardous substances (e.g. chemicals and pesticides) are officially registered where possible, Material Safety Data Sheets are used, and they are managed appropriately at all times in line with registration and safety instructions, including storage, use and disposal.

### Time given to resolve

60 days

### Issue title

230 - No material safety data sheet (MSDS) obtained/available

### Verification method

Desktop audit

### Description

It was noted that no material safety data sheet for products (MSDS) was posted onsite for the chemicals (e.g., ethyl alcohol) being used in the inspection workshop of the production building.

### Area of non-compliance/non-conformance

Local law

### Corrective and preventative actions

It is recommended that management adopt practices and controls to ensure that all chemicals being used in the factory have complete material safety data sheet for products (MSDS) which are also provided to the relevant employees handling chemicals in the factory.

### Local law reference

In accordance with Article 27 of the Regulation For Chemical Usage Safety in Work Place: Staff and workers are entitled to receive: (1) Date and information in description of the specific characteristics, hazardous ingredients, and safety precaution marks of the chemicals to be used in the working premises, and instructions upon safety techniques, etc. (2) Information concerning the probability of occurrence of harm against safety and health of staff and workers caused by hazardous chemicals in the working process. (3) Trainings upon safety techniques, including trainings with regard to prevention and control, and danger-avoiding methods, handling of emergency cases, or emergency measures. (4) Labor protection articles in conformity to State stipulations.

\* PDF generated at 07:44 (UTC) on 16 Jan 2026. [View this finding on the Sedex platform](#) for live updates and closure details.

Non-compliance

Due 2024-02-21

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Audit company:  
BUREAU VERITAS CPS - ASIA

Audit reference:

Start Date:  
2026-01-07

End Date:  
2026-01-08

<b>Code area</b>	<b>Status</b>
3 Working conditions are safe and hygienic	Closed (2026-01-15)*
<b>Workplace requirement</b>	<b>Time given to resolve</b>
3.O Implement an appropriate electrical safety program to ensure that electrical hazards are reduced and controlled by appropriately qualified personnel.	30 days
<b>Issue title</b>	<b>Verification method</b>
227 - Unmarked/incorrect labels/signage/instructions for electrics	Desktop audit
<b>Description</b>	<b>Area of non-compliance/non-conformance</b>
Periodic Audit on January 7&8, 2026: During this audit, it was noted that sampled electrical boxes were posted with electrical warning signs in the production workshop of the production building.	Local law

#### Description (carried over)

English: It was noted that no warning sign was marked on the electricity switch box of 1 out of 2 cutting machines in the cutting workshop.

Local language: [REDACTED]

#### Corrective and preventative actions

NC issue was corrected during this audit.

#### Corrective and preventative actions (carried over)

English: It is recommended that management adopt practices and controls to ensure that all electricity devices and circuit in the factory are marked to avoid electric shock.

Local language: [REDACTED]

#### Local law reference

In accordance with Article 2-7 of Warning Sign in the Guidelines for Safety Signs and Usage GB 2894-2008, the electric shock warning sign should be marked on electricity devices and circuit where electric shock may happen. 6.2 The material of signs: Safety signs should be made of durable material. The materials which will be deformed or deteriorated when wet and flammable material are generally shall preferably not be used. The insulation material should be used at workplace where there is risk of electric shock. [REDACTED]

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## Evidence

[corrective action taken photo - the electrical warning sign was posted on the electrical box.JPG](#)

\* PDF generated at 07:44 (UTC) on 16 Jan 2026. [View this finding on the Sedex platform](#) for live updates and closure details.

Non-compliance

Due 2025-02-12

### Code area

3 Working conditions are safe and hygienic

### Status

Open\*

### Workplace requirement

3.R Provide clean and secure toilets, wash areas, and worker changing facilities, with adequate hygiene supplies separated by gender or with effective privacy. Ensure potable water is easily accessible by workers and, where appropriate, clean storage facilities for food and personal belongings.

### Time given to resolve

30 days

### Issue title

332 - Sanitary facilities are inadequate to protect women's health, safety or privacy (e.g. lack menstrual hygiene facilities, or toilets not separated by gender)

### Verification method

Desktop audit

### Description

Periodic Audit on January 7&8, 2026:

It was noted that the toilet paper and menstrual hygiene facilities were not available in the toilet located at the production workshops of the production building.

### Area of non-compliance/non-conformance

Base code

### Description (carried over)

English: It was noted that toilet paper, soap, and menstrual pads were not available in the toilet located at the production workshops of the production building.

Local language: [REDACTED]

### Corrective and preventative actions

It is recommended that management adopt practices and controls to ensure that factory management assigned the responsible person, and did the daily check as routine work, and supplement in time.

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### Corrective and preventative actions (carried over)

English: It is recommended that management adopt practices and controls to ensure that toilet paper, soap, and menstrual hygiene facilities are provided in the toilets located at the production workshops.

Local language: [REDACTED]

### Evidence

[NC photo - the toilet paper and menstrual hygiene facilities were not available in the toilet.JPG](#)

\* PDF generated at 07:44 (UTC) on 16 Jan 2026. [View this finding on the Sedex platform](#) for live updates and closure details.

Non-compliance

Due 2026-03-17

#### Code area

3 Working conditions are safe and hygienic

#### Status

Open\*

#### Workplace requirement

3.R Provide clean and secure toilets, wash areas, and worker changing facilities, with adequate hygiene supplies separated by gender or with effective privacy. Ensure potable water is easily accessible by workers and, where appropriate, clean storage facilities for food and personal belongings.

#### Time given to resolve

60 days

#### Issue title

327 - Storage of goods not in line with legal requirements (e.g. too high)

#### Area of non-compliance/non-conformance

Local law

#### Description

It was noted that the gap between stacks and walls was 0 meter, which was less than the legal requirement of 0.5 meter in the finished goods warehouse of the production building

### Corrective and preventative actions

It is recommended that management adopt practices and controls to ensure that the width of gap between stacks and walls in the warehouse are in accordance with the legal requirement.

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## Local law reference

In accordance with Article 18 of Rules for Storage Fire Prevention Safety Management: The goods in storage should be classified for storage. The area occupied by any single stack shall preferably not be greater than 100 square meters. Space shall be at least 1 meter between stacks; Space shall be at least 0.5 meter between stacks and the wall; Space shall be at least 0.3 meter between stacks and beams or posts. The width of main passages shall be at least 2 meters.

## Evidence

[NC photo - no distance between stacks and walls.JPG](#)

\* PDF generated at 07:44 (UTC) on 16 Jan 2026. [View this finding on the Sedex platform](#) for live updates and closure details.

Non-compliance

Due 2024-03-22

### Code area

5 Legal wages are paid

Status

Open\*

### Workplace requirement

5.B Ensure that workers receive the insurances and benefits (including leave entitlements) they are legally or contractually entitled to.

Time given to resolve

60 days

### Issue title

423 - Compulsory insurance (e.g. social insurance, accident insurance etc.) not paid - systemic

Verification method

Follow up audit

### Description

Periodic Audit on January 7&8, 2026:

Area of non-compliance/non-conformance

It was noted that the factory's social insurance coverage was insufficient. According to the social insurance payment receipt provided by factory management, it was noted that only 8 out of 46 employees were provided with pension, unemployment, accident, medical and maternity insurance in December 2025.

Local law

Remark: Factory management had provided the commercial group accident insurance for all employees, valid date from December 10, 2025 to December 9, 2026.

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### Description (carried over)

English: According to the social insurance payment receipt provided by factory management, it was noted that only 7 out of 46 employees were provided with pension, unemployment, accident, medical and maternity insurance in December 2024. And the factory provided commercial injury insurance for 46 employees with a valid period from December 18, 2024 to December 17, 2025.

Local language: [REDACTED]

[REDACTED]

[REDACTED]

### Corrective and preventative actions

It is recommended that factory management adopt practices and controls to ensure that employees receive all of their statutory welfare entitlements.

[REDACTED]

### Corrective and preventative actions (carried over)

English: It is recommended that factory management adopt practices and controls to ensure that employees receive all of their statutory welfare entitlements.

Local language: [REDACTED]

### Local law reference

In accordance with Article 73 of the Labor 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 are entitled to, must be timely paid in full amount.

[REDACTED]

[REDACTED]

[REDACTED]

### Evidence

[NC photo - Payment and Receipt of Social Insurance Premiums in December 2025-2.JPG](#)

[NC photo - Payment and Receipt of Social Insurance Premiums in December 2025-1.JPG](#)

\* PDF generated at 07:44 (UTC) on 16 Jan 2026. [View this finding on the Sedex platform](#) for live updates and closure details.

Non-compliance

Due 2024-03-22

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Audit company:  
BUREAU VERITAS CPS - ASIA

Audit reference:

Start Date:  
2026-01-07

End Date:  
2026-01-08

**Code area**

6 Working hours are not excessive

**Status**

Open\*

**Workplace requirement**

6.F Ensure that where overtime is used, it is in order to manage changes in demand or in exceptional circumstances and not used to replace regular employment.

**Time given to resolve**

60 days

**Issue title**

480 - Overtime is not used responsibly (i.e. extent, frequency and level of hours worked by individual workers and/or whole workforce are excessive)

**Verification method**

Follow up audit

**Description**

Periodic Audit on January 7&8, 2026:

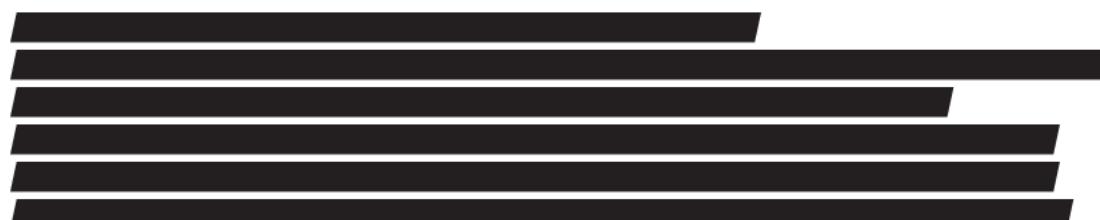
**Area of non-compliance/non-conformance**

Local law

It was noted that 30 out of 30 sample population employees worked in excess of the statutory overtime hour limits.

A review of 30 sample population employees' time records (10 samples from January 2025, 10 samples from July 2025, and 10 samples from the most recent paid month November 2025) yielded the following:

- 10 out of 10 sample population employees worked in excess of 36 overtime hours per month (i.e., 46 hours) in January 2025, which was not in compliance with the legal requirement;
- 10 out of 10 sample population employees worked in excess of 36 overtime hours per month (i.e., 60 hours) in July 2025, which was not in compliance with the legal requirement;
- 10 out of 10 sample population employees worked in excess of 36 overtime hours per month (i.e., 54 hours) in November 2025, which was not in compliance with the legal requirement.



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### Description (carried over)

English: It was noted that 20 out of 30 sample population employees worked in excess of the statutory overtime hour limits. A review of 30 sample population employees' time records (10 samples from February 2024, 10 samples from June 2024, and 10 samples from the most recent paid month November 2024) yielded the following: • 10 out of 10 sample population employees worked in excess of 36 overtime hours per month (i.e., 66 hours) in June 2024, which was not in compliance with the legal requirement; • 10 out of 10 sample population employees worked in excess of 36 overtime hours per month (i.e., 66 hours) in November 2024, which was not in compliance with the legal requirement.

Local language: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

### Corrective and preventative actions

It is recommended that factory management adopt practices and controls to ensure that employee overtime hours do not exceed the statutory limits.

[REDACTED]

### Corrective and preventative actions (carried over)

English: It is recommended that factory management adopt practices and controls to ensure that employee overtime hours do not exceed the statutory limits.

Local language: [REDACTED]

### Local law reference

In accordance with Article 41 of the Labor 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. [REDACTED]

[REDACTED]

[REDACTED]

### Evidence

[NC photo - worked in excess of 36 overtime hours in sample month.JPG](#)

\* PDF generated at 07:44 (UTC) on 16 Jan 2026. [View this finding on the Sedex platform](#) for live updates and closure details.

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# Management systems

	Policies and procedures	Resources	Communication and training	Monitoring
1. Employment is freely chosen	✓	✓	✓	✓
1.A. Responsible recruitment and entitlement to work	✓	✓	✓	✓
2. Freedom of association and right to collective bargaining are respected	✓	✓	✓	✓
3. Working conditions are safe and hygienic	✓	✓	ⓘ	⚠
4. Child labour shall not be used	✓	✓	✓	✓
5. Legal wages are paid	✓	✓	✓	⚠
6. Working hours are not excessive	✓	✓	✓	⚠
7. No discrimination is practiced	✓	✓	✓	✓
8. Regular employment is provided	✓	✓	✓	✓

✗ Not addressed

⚠ Fundamental improvements required

ⓘ Some improvements recommended

✓ Robust management systems

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	Policies and procedures	Resources	Communication and training	Monitoring
8.A. Sub-contracting and homeworkers are used responsibly	✓	✓	✓	✓
9. No harsh or inhumane treatment is allowed	✓	✓	✓	✓
10.A. Environment 2-Pillar	✓	✓	✓	✓
10.C. Business ethics	✓	✓	✓	✓

✗ Not addressed

⚠ Fundamental improvements required

ⓘ Some improvements recommended

✓ Robust management systems

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# Guidance

The Corrective Action Plan Report (CAPR) summarises the site audit findings and a corrective, and preventative action plan that both the auditor and the site manager believe is reasonable to ensure conformity with the ETI base code, local laws and additional audited requirements. After the initial audit, the form is used to re-record actions taken and to categorise the status of the non-compliances/ non-conformances.

Good practice examples should be pointed out at the closing meeting as well as discussing non-compliances/ non-conformances (NCs) and corrective actions, Collaborative Action Required (CAR) findings and the Management Systems Assessment (MSA).

## Next steps:

1. The site shall request, via Sedex, that the audit body upload the audit report, NCs, CARs, MSA and good examples. If you have not already received instructions on how to do this then please visit the [Sedex members' e-learning platform](#).
2. Sites shall action its NCs and document its progress via Sedex.
3. Once the site has effectively progressed through its actions then it shall request that the audit body verify its actions. Please visit [Sedex members' e-learning platform](#) for information on how to do this.
4. The audit body shall verify corrective actions taken by the site by either a desktop review process via the Sedex platform or by follow-up audit.
5. Some NCs that cannot be closed off by desktop review may need to be closed off via a follow-up audit charged at normal fee rates. If this is the case, then the site will be notified after its submission of documentary evidence relating to that NC. Any follow-up audit must take place within twelve months of the previous initial/periodic audit and the information from the previous audit must be available for sign off of corrective action.
6. For changes to wages and hours to be correctly verified it will normally require a follow up site visit. Auditors will generally require to see a minimum of two months wages and hours records, showing new rates in order to confirm changes (note some clients may ask for a longer period, if in doubt please check with the client).
7. The site shall develop and share with Sedex an action plan to work on CAR findings, and take actions to work on these areas as identified.
8. The site should use the MSA gradings to help to improve internal systems, focusing where their systems are weakest and the risks of harm are highest. These actions should better prepare them for future audits and help sustain compliance.

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## Management Systems Assessment (MSA)

A management system is defined as a comprehensive framework comprising of processes, policies, procedures, and tools that are strategically designed and implemented within a business to plan, organise, execute, monitor, and continuously improve its activities. Management systems are the systems that underpin how a company runs its day-to-day operations, makes decisions, and helps avoid the recurrence of common problems.

Where management systems are weak a site is at higher risk of non-compliance over time, the SMETA MSA can help sites to proactively reduce the likelihood of risks occurring. Sites should take actions commensurate with their size and resources, focusing on where their systems are weakest and the likelihood of risks is highest, based on their sector, location and workforce profile.

The MSA Grades do not result in NCs, and will not be re-assessed in follow-up audits.

For more information on management systems please refer to the Management Systems workbooks.

## Collaborative Action Required

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

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

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

Collaborative Action Required findings require a different way of working from other NCs for buyer and supplier members. The activities required to close these issues may involve actions from both buyers and suppliers, as well as additional stakeholders such as third-party labour providers, impacted workers, local NGOs, and trade unions.

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Due to the complexity of the issues and the spectrum of potential stakeholders that may need to act, CARs may need long-term closure plans, potentially spanning multiple years. To facilitate a longer-term approach and to reduce the likelihood of undue pressure on suppliers to close issues that may be out of their control, Sedex does not prescribe a closure date nor a verification methodology for these findings. Sedex encourages all its members to work collaboratively and responsibly on these issue areas, sharing responsibilities and actions as appropriate.

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

#### **For Suppliers**

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

#### **For Buyers**

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

#### **For Auditors**

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



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