

## Collaborative Action Required Guidance

### What is SMETA?

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

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

Ethical Trading Initiative

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

SMETA audits identify non-compliances, where sites do not meet local law, and non-conformances, where sites do not meet the Base Code. These non-compliances/ non-conformances (NCs) have prescribed timeframes for closure and methodologies for verifying actions taken.

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Within the latest review of the SMETA audit methodology it was identified that certain requirements within the SMETA audit require a different methodology for closure, and a new type of finding has been introduced for these specific areas, Collaborative Action Required.

### What is a Collaborative Action Required Finding?

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

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

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

Collaborative Action Required findings require a different way of working from other NCs for

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

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

“A company’s salient human rights issues are those human rights that stand out because they are at risk of the most severe negative impact through the company’s activities or business relationships. This concept of salience uses the lens of risk to people, not the business, as the starting point, while recognising that where risks to people’s human rights are greatest, there is strong convergence with risk to the business”

UNGPs Reporting Framework

## For Suppliers

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

## For Buyers

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