The Complete SMETA Audit Guide

Navigating Responsible
Supply Chains with Confidence

Sedex
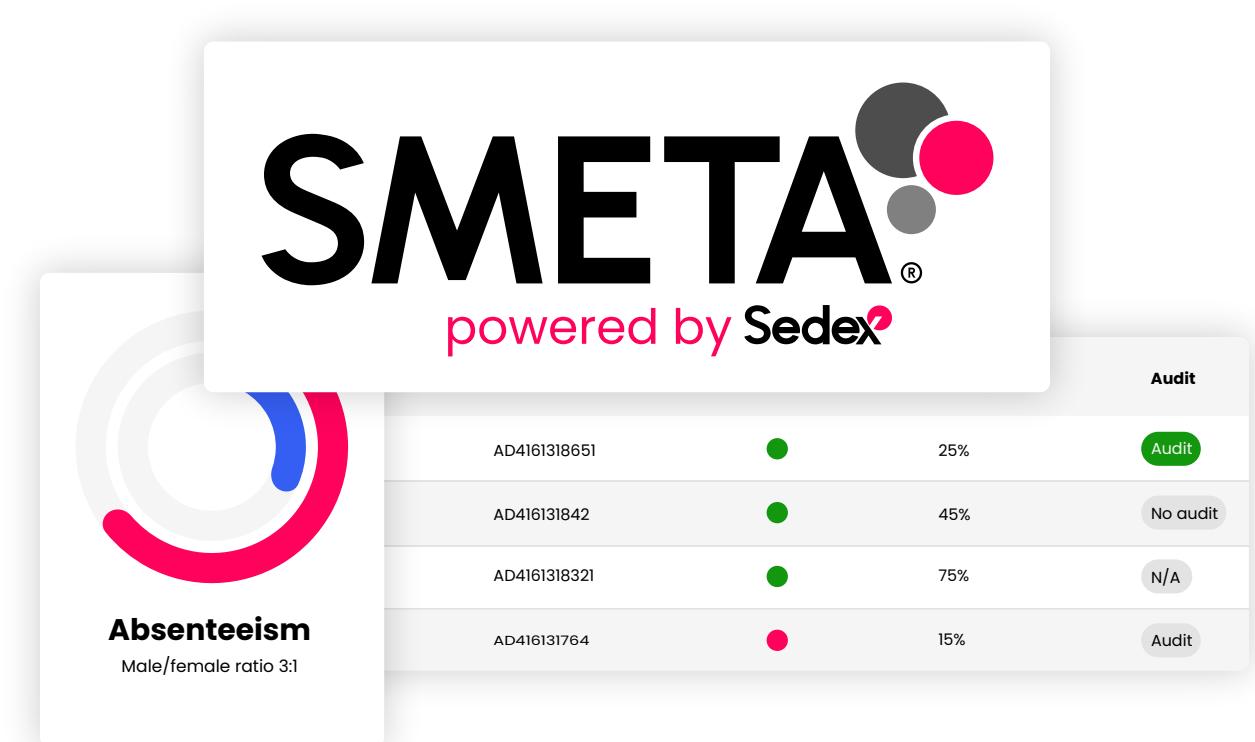
SMETA
powered by Sedex

			Audit
AD4161318651	●	25%	Audit
AD416131842	●	45%	No audit
AD4161318321	●	75%	N/A
AD416131764	●	15%	Audit

Absenteeism
Male/female ratio 3:1

Contents

Introduction

Sedex and the SMETA Solution

Sedex was founded in 2001 by a group of retailers to drive convergence in social audit standards and monitoring practices. As a membership-based data platform, Sedex leads work with buyers and suppliers to deliver improvements in responsible business practices in global supply chains.

The Sedex Members' Ethical Trade Audit (SMETA) has emerged as the world's most widely used social audit methodology. SMETA provides a standardised framework to help businesses understand and improve working conditions and environmental performance throughout their supply chains.

SMETA was created by Sedex members to give a centrally agreed protocol to monitor performance against the Ethical Trade Initiative's (ETI) Base Code of labour practices.

Rather than imposing a pass/fail certification model, SMETA encourages transparency and continuous improvement, enabling organisations to identify risks, track progress, and build stronger, more resilient supply chains.

SMETA Fundamentals

What is SMETA?

SMETA (Sedex Members' Ethical Trade Audit) is an on-site social audit methodology designed to assess working conditions at supplier sites against globally applicable standards. Conducted by independent third-party auditors, SMETA provides a comprehensive evaluation framework that is recognised worldwide.

SMETA assesses sites against **both local legislation and the Ethical Trade Initiative (ETI) Base Code**, providing the highest level of protection for workers.

This dual compliance approach means that whichever standard provides greater protection—local law or the ETI Base Code—becomes the benchmark against which sites are measured. The same standard is applied to all businesses, regardless of country, size or industry, creating a comparable dataset for businesses globally.

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.
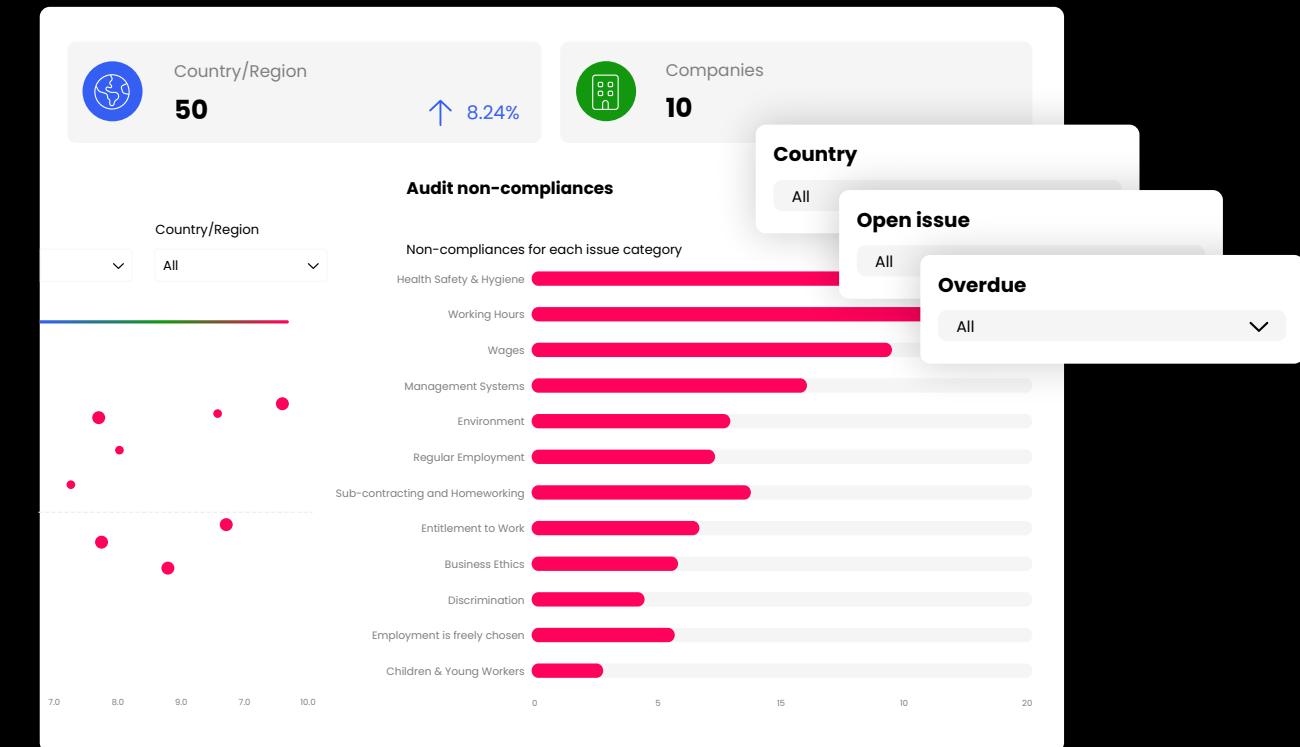
History and Development

SMETA has evolved since its introduction to become the world's most widely used social audit methodology:

- **2001:** Sedex founded by a group of retailers

- **2004:** SMETA launched

- **Early Development:** Created to drive consistency in social audit standards

- **Evolution:** Expanded from initial labour focus to include environmental and business ethics pillars

- **Latest Version:** SMETA 7.0 released in June 2024, representing the most comprehensive framework to date

The Four Pillars of SMETA

SMETA audits can be conducted as either 2-pillar or 4-pillar assessments:

1. Labour Standards Base Code Areas:
Assesses adherence to human rights and labour standards, including:

0: Enabling accurate Assessment

1: Employment is Freely Chosen

1.A: Responsible Recruitment & 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

5A: Living Wages are Paid

6: Working Hours are Not Excessive

7: No Discrimination is Practiced

8: Regular Em ployment is Provided

8A: Sub-contracting and Homeworkers are Used Responsibly

9: No Harsh or Inhumane Treatment is Allowed

2. Health & Safety Base Code Area:
Evaluates:

3: Working Conditions are Safe and Hygienic

Plus a basic Environment assessment (2-pillar version)

3. Environment:
Comprehensive assessment of:

- Air emissions & GHG (Green House Gas)
- Chemicals
- Energy usage
- General Environmental Permits, & Management systems
- Reforestation, Conservation & Biodiversity
- Waste Management
- Water waste & usage

4. Business Ethics:
Reviews:

- Awareness of requirements/policy
- Grievance Mechanisms
- Systems to manage compliance
- Land rights

2 Pillar | Illustrative time to conduct | **2 days**

4 Pillar | Illustrative time to conduct | **3 days**

Assessment against international and local legislation

A distinguishing feature of SMETA is its assessment against both local legislation and the ETI Base Code:

How it works:

- Every Workplace Requirement is assessed against both local law and ETI Base Code standards

- The higher standard always prevails when determining compliance

- Country-specific legal requirements are incorporated into audit protocols

- Non-compliances (against local law) and non-conformances (against Base Code) are clearly distinguished

- This approach supports both legal compliance and adherence to international best practices

This means SMETA remains both globally consistent and locally relevant, providing a standardised approach that flexes to accommodate regional legal variations while maintaining core ethical principles.

SMETA in the Audit Landscape

SMETA stands out in the audit landscape for several key reasons:

ASPECT	SMETA APPROACH	BENEFIT
Standardisation	Consistent methodology across all audits	Comparable results across supply chain
Shareable Results	Single audit can be shared with multiple customers on the Sedex platform	Reduces audit fatigue and duplication
Improvement Focus	Not pass/fail but identifies areas for development	Encourages transparent, collaborative improvement
Comprehensive Scope	Covers all major ethical trade areas	Holistic view of site performance
Global Recognition	Accepted by major international brands	Widely recognised standard
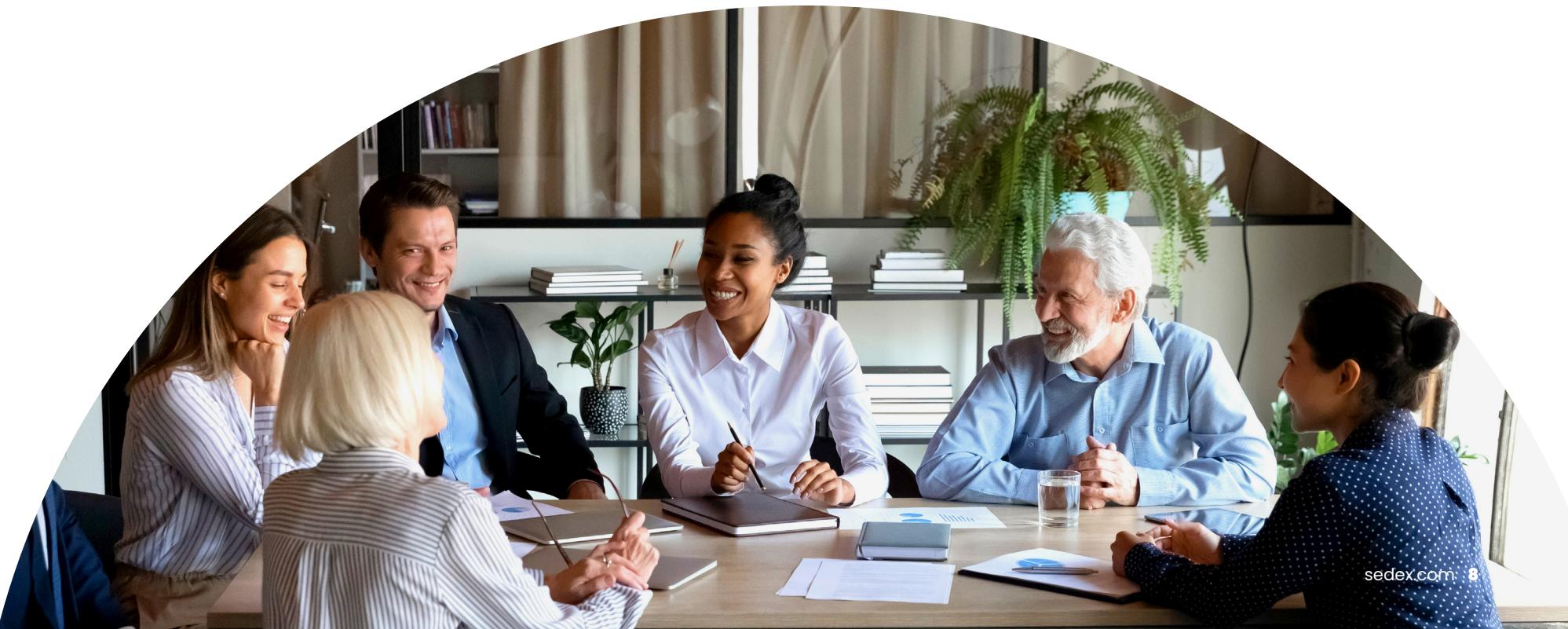
The Management Systems Assessment (MSA)

A unique feature of SMETA is its Management Systems Assessment (MSA), which assesses a site's management systems against four factors which are referred to in SMETA as the Management System Assessment 'Elements'. Each Element is prescriptive in nature. As such, sites are expected to:

1. Develop and maintain relevant policies and procedures to ensure Workplace Requirements are met

2. Appoint a manager with sufficient seniority who has operational responsibility and accountability for the implementation of the procedures.

3. Communicate and train employees and other workers, including managers and supervisors, on relevant policies and procedures.

4. Monitor the effectiveness of procedures to meet policy and Workplace Requirements.

Rather than enforcing a specific management model, SMETA assesses whether systems are "fit for purpose" based on the site's context, size, and risk profile.

Working with Affiliated Audit Companies (AACs)

A crucial element of the SMETA methodology is its delivery through Sedex's network of Affiliated Audit Companies (AACs), that are APSCA approved. These partnerships ensure consistent, high-quality ethical audits worldwide:

What are AACs?

- Independent, professional audit companies approved by Sedex

- Specialists in social compliance and ethical trade auditing

- Required to meet strict criteria for auditor qualifications and quality assurance

- Trained and experienced in the SMETA methodology

Benefits of working with AACs:

- Consistent application of SMETA methodology globally

- Local knowledge combined with international standards

- Understanding of regional legislation and cultural context

- Quality assurance processes to maintain audit integrity

How to work with AACs:

- Select from Sedex's global network of **approved audit providers**

- Suppliers book audits directly with your chosen AAC

- AACs upload completed audits to the Sedex platform

- Reports can then be shared with your customers

Quality assurance:

- AACs undergo a rigorous approval process

- Only CSCA level auditors are allowed to conduct SMETA audits

- Regular monitoring of audit quality by Sedex

- Continuous professional development for auditors

- Standardised approach ensures consistency across providers

- Technical review of reports maintains quality standards

For Buying Organisations

The Business Case for SMETA Audits

Implementing SMETA audits across your supply chain delivers tangible benefits to your organisation:

Risk Mitigation

- Early identification of non-compliances before they become crises

- Protection of brand reputation and stakeholder confidence

- Reduced exposure to legal and regulatory penalties

Operational Efficiency

- Improved working conditions means improved worker turnover and reduced absenteeism

- Standardised approach across suppliers reduces complexity

- Shared audit results eliminate redundant assessments

- Clear framework for supplier development initiatives

Data-Driven Decision Making

- Comparable metrics across suppliers enable strategic prioritisation

- Management Systems Assessment highlights systemic issues

- Trend analysis facilitates continuous improvement

Stakeholder Confidence

- Demonstrates commitment to responsible trading principles

- Provides evidence for sustainability reporting

- Supports compliance with emerging legislation

Reducing Audit Duplication

One of SMETA's greatest advantages is its ability to reduce the "audit fatigue" that burdens suppliers with multiple, similar assessments:

How SMETA Reduces Duplication:

- Single audit format accepted by multiple buyers

- Results shared through the Sedex platform

- Standardised methodology creates comparable data

- Common language for discussing improvements

Implementation Steps:

1. Align internal stakeholders on SMETA adoption

2. Communicate the shift to suppliers with clear timelines

3. Request access to existing SMETA results before commissioning new audits

4. Join mutual recognition programs with industry peers where possible

Integrating SMETA with Risk Assessment

SMETA works most effectively when embedded within a broader risk assessment framework:

Pre-Audit Risk Screening

- Use Sedex's pre-assessment risk tool, to identify high-risk suppliers

- Prioritise audit scheduling based on risk factors

Complementary Approaches

- Integrate self-assessment questionnaires for broader coverage

- Use desktop reviews between full audits to monitor progress

Risk-Based Frequency

- High-risk sites: Annual audits recommended

- Medium-risk: Audits should be requested every two years

- Low-risk: At buyer's discretion based on ongoing monitoring

Interpreting Audit Results

SMETA audit outputs provide rich data that requires thoughtful interpretation:

Key audit outputs:

1. CAPR (Corrective Action Plan Report)

- Summarises audit findings

- Contains agreed corrective and preventative actions

- Includes timescales and verification methods

- Shows Management Systems Assessment (MSA) grades

2. Full Audit Report

- Provides detailed context and descriptions of findings

- Includes systems and evidence examined on-site

- Contains management systems assessment gradings

- Includes photographic evidence and additional data points

SMETA Audit Follow-up

Finding issues during an audit is only one part of SMETA. The actions taken by the site to correct the issues found and the evidence examined to corroborate these corrective actions are equally important. SMETA audits are auditing for improvement, not only compliance, and where a site has made progress against an incomplete corrective action, the progress will also be recorded.

Verification methods:

Auditor verification of adequate corrective actions can be carried out by:

1. Desktop review:

- Online verification of evidence uploaded on the Sedex platform

- Used for corrective actions where remote approval of evidence is sufficient

- Examples include photos, copies of certificates, policies

- Cannot be used where corrective actions need to be verified through worker testimony

- The auditor will review submissions within 5 working days

- The supplier should have an agreement with the AAC on the desktop review service in advance

2. Follow-up audit:

- On-site visit to evaluate corrective actions that cannot be verified by desktop review

- Recommended for NCs requiring interviews, extensive documentation reviews, and/or site tour

- Generally takes place within six months of the initial audit

- Must be booked with the same AAC used for the previous audit

- Includes opening and closing meetings with management and worker representatives

- Follows same methodology as initial audit (site tour, interviews, document review)

- Focuses specifically on NCs identified in previous audit (not a full review)

- New issues identified during follow-up will be recorded in a new CAPR

During a follow-up audit:

- The site should demonstrate completed actions in line with the agreed CAPR

- The auditor verifies actions taken, including new photographic evidence where relevant

- For each NC, the auditor explains evidence reviewed and determines if the issue is:

  o Closed – Sufficient evidence received for adequate resolution

  o Open – Insufficient evidence received, NC remains active

- The auditor completes an updated CAPR on-site and leaves a signed copy

Understanding Finding Types:

- **Non-Compliance:** Site does not meet local or international law

- **Non-Conformance:** Site meets law but not the ETI Base Code

- **Collaborative Action Required (CAR):** Issues requiring multi-stakeholder approach

- **Good Example:** Practice exceeding requirements of both local law and ETI Base Code

Criticality Levels:

- **Business Critical:** Imminent or serious risk to life or severe human rights impact

- **Critical:** Systemic, deliberate, or severe breach representing danger to workers

- **Major:** Systemic breach that could present danger or violate human rights

- **Minor:** Isolated breach with low risk

Management Systems Assessment Grades:

- Not Addressed

- Fundamental Improvements Required

- Some Improvements Recommended

- Robust Management System

Setting Realistic Expectations

Effective SMETA implementation requires setting appropriate expectations:

With Suppliers:

- Emphasise improvement over perfection

- Communicate clear timelines for addressing issues

- Distinguish between immediate priorities and long-term goals

- Offer support for systemic challenges

Within Your Organisation:

- Educate stakeholders on the purpose and limitations of audits

- Align commercial and sustainability teams on realistic timeframes

- Build flexibility into compliance expectations for regional variations

- Budget for support resources, not just audit costs

> "
> **Effective SMETA implementation requires setting appropriate expectations**

Collaborative Action Required Approach:

For complex issues beyond suppliers' direct control, a collaborative approach is essential:

- Engage multiple stakeholders including NGOs and local authorities
- Develop long-term plans with realistic milestones
- Share responsibilities for implementation
- Consider industry-wide initiatives for systemic issues

SMETA as a Continuous Improvement Tool

Unlike certification programs focused on pass/fail outcomes, SMETA is designed as a continuous improvement tool:

The Improvement Cycle:

1. Assess current performance through SMETA audit
2. Prioritise findings based on risk and impact
3. Plan targeted improvements with clear responsibilities
4. Implement changes to policies, procedures, and practices
5. Verify effectiveness through follow-up assessment
6. Refine approach based on outcomes

Measuring Progress:

- Track closure rates of non-compliances
- Monitor improvements in Management Systems Assessment grades
- Assess reduction in finding criticality over time
- Evaluate increase in Good Examples identified

Supporting Supplier Development:

- Share best practices across your supply base
- Facilitate peer learning between suppliers
- Provide targeted training and resources
- Recognise and reward improvement

For Suppliers / Manufacturers

Benefits of SMETA Preparation and Participation

While often seen as a customer requirement, SMETA delivers significant benefits to organisations:

Market Access and Customer Relations

- Meet requirements of multiple buyers with a single audit
- Demonstrate commitment to responsible practices
- Build stronger relationships with existing customers
- Position your business as a preferred supplier

Operational Improvements

- Identify inefficiencies in current processes
- Reduce workplace incidents and associated costs
- Improve employee retention through better conditions
- Streamline management systems for greater effectiveness

Reduced Audit Burden

- Share one audit with multiple customers
- Decrease disruption from multiple similar assessments
- Focus resources on improvement rather than audit preparation
- Build internal capability through consistent methodology

Benefits:

- Reduced multiple audit costs
- Lower recruitment costs through improved retention
- Decreased accident, incident and absenteeism costs
- Operational efficiencies identified during preparation
- Enhanced productivity through improved worker satisfaction
- Improved transparency and relationships with customers

Leveraging SMETA for internal improvements

Beyond compliance, SMETA can drive significant internal improvements:

Management systems development:

The Management Systems Assessment (MSA) within SMETA evaluates four key elements for each Base Code Area:

1. Policies & Procedures
2. Resources & Responsibilities
3. Communication & Training
4. Monitoring

Suppliers can use these MSA elements as a framework to:

- Develop targeted policies and procedures for specific risk areas

- Make sure each risk area has appropriately skilled and senior staff assigned

- Implement effective training tailored to each specific compliance area

- Create monitoring systems that address the unique aspects of each requirement

- This structured approach helps suppliers move from reactive compliance to proactive risk management.

Cross-functional improvement:

- SMETA findings often reveal opportunities beyond ethical trade:

- Production efficiency improvements

- Better worker engagement and retention

- Enhanced risk management processes

- Improved documentation and record-keeping

- More effective training methodologies

Continuous Improvement Cycle:

- The SMETA approach can foster broader continuous improvement:

- Train staff on root cause analysis techniques

- Implement regular internal assessments

- Develop cross-functional improvement teams

- Create recognition for improvement contributions

- Establish KPIs linked to SMETA requirements

> " The SMETA approach can foster broader continuous improvement

Conclusion & Next Steps

Key Takeaways

The SMETA methodology offers a robust framework for responsible supply chain management that benefits both buyers and suppliers:

For Buyers:

- Standardised approach reduces complexity and cost

- Comprehensive assessment of critical areas

- Shared platform enables efficient supplier management

- Risk-based approach focuses resources where most needed

For Suppliers/Manufacturers:

- Single audit recognised by multiple customers

- Clear roadmap for continuous improvement

- Opportunity to demonstrate responsible commitment

- Practical tools for strengthening management systems

SMETA works best when approached as a collaborative tool for improvement rather than simply a compliance exercise. By focusing on sustainable system changes rather than quick fixes, organisations can build truly resilient and responsible supply chains.

Take the Next Step with Sedex

To gain the most value of SMETA, supporting guidance developed in partnership with experts, access to training and full visibility of audit results, you will need to be a Sedex buyer or buyer/supplier member.

Ready to enhance your supply chain responsible performance?

Contact Sedex to:

- Schedule a consultation with our experts

- Discover how many of your suppliers are already on the Sedex Platform and use SMETA

- Request a demo of the Sedex platform

- Discuss membership options

Get in touch:

- Contact our team and **request a call back**

- Website: **www.sedex.com**

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