

March 15, 2023

Mr. Jon Hancock  
The Chief Executive Officer  
Sedex  
via email: [REDACTED]@sedex.com

Dear Mr. Hancock,

I am writing on behalf of Human Rights Watch, an international nongovernmental organization working on a range of human rights issues globally, including corporate accountability.

Human Rights Watch has been working on issues related to business and human rights for over two decades. In November 2022, we published a report, "[Obsessed with Audit Tools: Missing the Goal: Why Social Audits Can't Fix Labor Rights Abuses in Global Supply Chains](#)," which adds to our ongoing research on social audits.<sup>1</sup>

As part of our research and advocacy, we are contacting Sedex as one of the organizations that administers a third-party social audit scheme. We are writing to share our findings to date and to learn more about Sedex's human rights due diligence policies and practices surrounding its products and services, specifically the Sedex Members Ethical Trading Audit (SMETA).

We recognize the significance of Sedex's work given its geographical and corporate reach. Sedex administers "the world's most widely used audit," has 74,000 members, has conducted 300,000 audits (including SMETA) across 170 countries, and 28 million workers are "impacted by Sedex members."<sup>2</sup> In 2021, Sedex reported a revenue of £20.3 million which was "a growth of 22%, compared with £16.6 million in 2020."<sup>3</sup>

Growing laws governing the import of goods tied to human rights or adverse environmental impacts (such as forced labor or deforestation) and corporate human rights and environmental due diligence obligations will drive up the scrutiny of corporate policies and practices. This scrutiny will also extend to companies' decisions around social audit schemes or certifications.

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<sup>1</sup> See also, "Auditing firms shouldn't provide cover for the inaction of global brands on low wages," January 14, 2021, <https://www.hrw.org/news/2021/01/14/auditing-firms-shouldnt-provide-cover-inaction-global-brands-low-wages>; "Social Audits Reforms and the Labor Rights Ruse," October 2020, <https://www.hrw.org/news/2020/10/07/social-audit-reforms-and-labor-rights-ruse>; "Combating Sexual Harassment in the Garment Industry," February 2019, <https://www.hrw.org/news/2019/02/12/combating-sexual-harassment-garment-industry> (accessed March 10, 2023).

<sup>2</sup> Sedex, "SMETA, the world's leading audit," <https://www.sedex.com/solutions/smeta-audit/> and "Your partner in sustainable business," <https://www.sedex.com/about/> (accessed March 10, 2023).

<sup>3</sup> Sedex, "Sedex Annual Report 2021," [https://www.sedex.com/app/uploads/2022/10/Sedex-Annual-Report-2021\\_FINAL-16-May.pdf](https://www.sedex.com/app/uploads/2022/10/Sedex-Annual-Report-2021_FINAL-16-May.pdf) (accessed March 10, 2023), p. 12.

Consumer or competition and market authorities are also receiving more complaints about, and have increased their scrutiny of, the sustainability claims of companies. Voluntary industry initiatives—that companies rely on to make sustainability claims—have also come under scrutiny.<sup>4</sup> Other legal claims have been launched against audit firms and certification schemes.<sup>5</sup>

The evolving regulatory landscape should influence how organizations that administer social audit schemes, including Sedex, operate. Sedex’s products and services could come under regulatory scrutiny either directly or indirectly because of its members.

Brands and retailers, as well as suppliers, have human rights due diligence responsibilities. Organizations like Sedex offering products and services to support companies in their human rights and environmental due diligence efforts have separate and distinct human rights due diligence responsibilities in relation to each product/service, including the SMETA audit. Sedex should take robust measures to identify, prevent, mitigate and/or remediate business operations that can have actual or potential adverse human rights impacts.

Two concrete concerns relevant to the SMETA audit and related services are:

- The risk of contributing to, or being linked with, human rights abuses.
- The risk of contributing to, or being linked with, social- or greenwashing.

Key measures to prevent and mitigate the risk of contributing to, or being linked with, human rights abuses or to social- or greenwashing are:

- Recommending and integrating into the Sedex platform, “supplementary measures” that go “beyond social audits,” and tracking members’ efforts to use them, with consequences for those that disregard Sedex advice.
- Publicly acknowledging the limitations of SMETA and other social audits in all Sedex materials.
- Publishing private disclaimers.
- Suspending SMETA and the recognition of other social audits on the Sedex platform in extremely high-risk regions (such as in the Xinjiang region of China).
- Introducing transparency of audited sites.

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<sup>4</sup> See for example, Rachel Deeley, “Dutch, Norwegian Regulators Issue Guidance on Controversial Higg Tool,” <https://www.businessoffashion.com/news/sustainability/dutch-norwegian-regulators-issue-guidance-on-controversial-higg-tool/>; “Get Your Green Claims Right,” [https://greenclaims.campaign.gov.uk/#what\\_are\\_green\\_claims\\_](https://greenclaims.campaign.gov.uk/#what_are_green_claims_); UK Competition and Markets Authority, “Global sweep finds 40% of firms’ green claims could be misleading,” January 28, 2021, <https://www.gov.uk/government/news/global-sweep-finds-40-of-firms-green-claims-could-be-misleading> (all accessed March 10, 2023).

<sup>5</sup> See for example, Leigh Day, “Tesco and Intertek face claims of forced labour and debt bondage at F&F fashion factory,” <https://www.leighday.co.uk/latest-updates/news/2022-news/tesco-and-intertek-face-claims-of-forced-labour-and-debt-bondage-at-f-f-fashion-factory/> (accessed February 23, 2023).

- Instituting more robust audit quality controls.
- Instituting a robust grievance redress mechanism aligned with the criteria outlined in the UN Guiding Principles on Business and Human Rights (UNGPs).
- Collaborating to help companies set up effective operational grievance redress mechanisms aligned with the criteria outlined in the UNGPs.

In Appendix I, we have outlined our findings to date and included questions so we can more fully understand how Sedex currently operates, including any forthcoming reforms.

We request additional information for questions in Appendix I, Part I, “Tracking members’ measures ‘beyond social audits’ on health and safety” **by March 31, 2023**. We request additional information for the remaining questions in Appendix I by **May 31, 2023**.

Please do not hesitate to contact us for more information, schedule a discussion, or to send written responses via email to [REDACTED]@hrw.org. The information provided by Sedex would be useful to inform our research and advocacy and may be reflected in our forthcoming publications.

Best regards,

[REDACTED]

Aruna Kashyap  
Associate Director  
Economic Justice and Rights Division  
Human Rights Watch

CC: Ms. Jessica McGoverne, Director, Sustainability Policy and External Affairs,  
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## Appendix I: Summary of Information and Questions

### I. Tracking members' measures "beyond social audits" on health and safety

We appreciate that Sedex's June 2021 Apparel Manufacturing Sedex Insights Report includes "Recommendations for Businesses," which among other things, encourages them to "support and sign up to a new Accord on fire and building safety."<sup>6</sup>

#### Questions

1. What features does Sedex have on its platform to track members use of the Accord?
2. How many factories (across all sectors) participating in SMETA audits are in Bangladesh and Pakistan? How many of these are from the garments, footwear, and textile sector?
3. How many Sedex member brands (in the sectors covered by the Accord) source from Bangladesh, but *have yet to commit to the Accord*?
4. How many Sedex member brands (in the sectors covered by the Accord) source from Pakistan but *have yet to commit to the Accord*?
5. What consequences, if any, including and up to a withdrawal of Sedex membership, can Sedex members face, if they disregard Sedex's recommendation that they support and participate in the International Accord?
6. Will Sedex periodically publish (such as annually) an update of which of its members are signing the Accord to go beyond social audits and those that are not? **If yes**, when is the public reporting expected to commence?

### II. Tracking members' measures "beyond social audits" on forced labor

Sedex has produced a thematic report on forced labor in 2021 using "data from the Sedex platform from over 100,000 social audits."<sup>7</sup> The report "investigates and highlights the indicators of forced labour *those audits are detecting*, and their prevalence in global supply chains."<sup>8</sup> The 100,000 social audits were conducted over five years in 158 countries; only 36 percent of them presented two or more indicators of forced labor.<sup>9</sup>

Sedex has developed a Forced Labour Indicator Tool for its members, which "draws on non-compliances and observations *raised during audits* at supplier sites to identify common signs

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<sup>6</sup> Sedex, "Apparel Manufacturing: Sedex Insights Report," June 2021, <https://www.sedex.com/app/uploads/2022/12/Sedex-Insights-Apparel-Manufacturing-June-2021.pdf> (accessed March 10, 2023), p. 21.

<sup>7</sup> Sedex, "Recognising forced labour risks in global supply chains," 2022, <https://www.sedex.com/app/uploads/2022/12/Sedex-Recognising-forced-labour-risks.pdf>, p. 4 (accessed March 10, 2023).

<sup>8</sup> Ibid.

<sup>9</sup> Ibid., p. 15.

or “clues” that point to the possible existence of forced labour within your supply chain.”<sup>10</sup> In this tool, the “number of indicators – which are based on research by the International Labour Organisation (ILO) – identified at specific sites are categorised and weighted to calculate a site’s *audit indicator score*.”<sup>11</sup>

While these efforts are well-meaning, a tool based on standard social audit data will unfortunately carry the same challenge of under-estimating the risks of forced labor. Sedex itself states—and Human Rights Watch agrees—a “range of factors contribute to forced labour being under-identified in global supply chains” in audits.<sup>12</sup>

We also note that Sedex recommends in its Forced Labour Indicators Tool Guidance that companies “ensure that you *investigate* and handle *potential* forced labour situations in a way that considers first and foremost the well-being of workers and their families.”<sup>13</sup> We further note that the Sedex platform provides its members with different risk scores (“inherent risk,” “country context risk,” and “sector-specific risk”) and “additional weighting” where a good produced with forced labor on the US Department of Labor list is associated with a site.<sup>14</sup>

### Questions

7. Which month/year was the Forced Labour Indicators Tool v 2.0 introduced?
8. Of the 100,000 social audits from 158 countries, please indicate if any of the audits were from the following regions/countries, and if yes, how many: a) the Xinjiang region in China b) Turkmenistan c) Uzbekistan d) Saudi Arabia and e) Qatar.
9. Does Sedex periodically commission in-depth forced labor investigations for a subset of audited sites that have previously used SMETA audits to evaluate the extent of under-reporting of forced labor indicators? **If yes**, please provide more details.
10. What are the possible risk score ranges for each of the risk categories (inherent, country context, and sector-specific)?
11. Is there a risk score level (country, inherent, sector-specific) at which Sedex has a reasonable expectation that its members should “ensure that you *investigate* and handle *potential* forced labour situations in a way that considers first and foremost the well-being of workers and their families”? **If yes:**

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<sup>10</sup> Sedex, “Forced Labour Indicators Tool,” <https://www.sedex.com/knowledge-hub/news/forced-labour-indicators-tool/> (accessed March 10, 2023).

<sup>11</sup> Ibid.

<sup>12</sup> Sedex, “Recognising forced labour risks in global supply chains,” p. 20.

<sup>13</sup> Sedex, Forced Labour Indicator Guidance, p. 13.

<sup>14</sup> Ibid., p. 6.

- 11.1. How is this communicated to members on the platform? (E.g., through warnings, messages, or other alerts pushed out to members so they can commence “investigations”)?
- 11.2. How will these risk score levels be summarized for other relevant stakeholders and the public to alert them of what Sedex members are expected to do?
- 11.3. Has any country, region, or sector ever reached this risk level in Sedex’s system where companies are expected to investigate? **If yes**, please summarize the details.
12. Does Sedex track how many of its members launch investigations to handle “*potential* forced labour situations.”? **If yes**, please provide latest available aggregate data by country and sector in which such investigations have been launched by its members?
13. What consequences, including downgrading and withdrawal of Sedex membership, can Sedex members anticipate, if they disregard Sedex’s advice to “*ensure that you investigate and handle potential* forced labour situations in a way that considers first and foremost the well-being of workers and their families?” Please provide any relevant policies and escalating procedures Sedex has instituted.
14. Does Sedex plan to publish a searchable database of all its members, including a list of those that have been downgraded, suspended, or terminated?
15. Please indicate if Sedex will periodically publish (such as annually) a report providing aggregate data with forced labor indicators generated through its SMETA audits, the number of Sedex members who have launched “investigations” into potential forced labor situations by country and sector, and the number of members facing membership consequences for not following Sedex’s recommended steps.

### III. Instituting more robust audit quality controls

We understand that Sedex has approved over 50 firms as “Affiliate Audit Companies” to implement SMETA<sup>15</sup> and operates an Audit Quality Program.<sup>16</sup> We note that at this writing, Sedex has suspended one audit firm, the Global Group.<sup>17</sup> We also note that Sedex states: “As part of the Audit Quality Programme, Affiliate Audit Companies may also be terminated. If terminated, audit companies will no longer appear on this page. *Members with visibility of audits* conducted by terminated audit firms in the previous 12 months *will be alerted* when termination is confirmed [emphasis added].”<sup>18</sup> We note that Sedex invites third parties to submit grievances, if any, about SMETA audit quality.

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<sup>15</sup> Sedex, “Affiliate Audit Companies,” <https://www.sedex.com/affiliate-audit-companies/> (accessed March 10, 2023).

<sup>16</sup> *Ibid.*

<sup>17</sup> *Ibid.*

<sup>18</sup> *Ibid.*

## **Price and Business Pressures, and Conflicts of Interests**

Based on information published on Sedex’s website as well as information from SMETA reports that Human Rights Watch collected, we have yet to understand how Sedex exercises oversight over auditor independence and conflicts of interests *in each SMETA audit*. These should be a critical part of Sedex’s Audit Quality program.

The November 2020 Sedex Information Exchange Auditor Rules (Auditor Rules) do not explicitly lay down Sedex’s rules governing auditor independence, conflicts of interests, and related disclosures. We note that Sedex approves firms that are members of the Association of Professional Social Compliance Auditors (APSCA) and SMETA audits can only be conducted by auditors enrolled with APSCA. We also note that APSCA’s Code and Standards of Professional Conduct carries measures related to “Independence and Integrity” that govern member firms and the personnel they engage.<sup>19</sup> We do not believe that merely stating that a firm should be a member of APSCA or that auditors should be APSCA-enrolled constitutes sufficient oversight or safeguards.

Human Rights Watch review of SMETA audit reports showed that the reports carry information about “report owner (payer),” which in the reports we reviewed, was the supplier.<sup>20</sup> These reports do not explicitly state whether the owner/payer also selected the audit firm. But Human Rights Watch has learned that suppliers can themselves select audit firms to conduct SMETA audits. Audit costs play a huge role in determining which audit firm is selected. The pressure on audit firms to reduce costs and the number of auditor days significantly influences audit quality. Other academic studies have shown that putting the burden of audit costs on suppliers or getting suppliers to appoint auditing firms are serious design flaws in a social audit system, that pose risks for audit integrity and quality.<sup>21</sup>

SMETA audit reports that Human Rights Watch reviewed do not carry any relevant disclosures by the audit firm about whether they or a sister firm (where the audit firm is part of a group) provide (or provided) any other services to (a) the supplier or (b) the supplier group (if the supplier is part of a group of companies) or (c) the brand commissioning the audit (if a brand

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<sup>19</sup> APSCA’s Code and Standards of Professional Conduct, <https://www.vwa.co.uk/PDF/Policies/APSCA-Code-and-Standards-of-Professional-Conduct-D-032-English.pdf> (accessed March 10, 2023). See, for example, para 2.1.3: “Among other things, APSCA’s code states that “Member Firms shall not conduct social compliance services when the Member Firm - including, but not limited to, owners, managers, or auditors - has a business interest in the outcome of the service. This includes, but is not limited to, fees or other business contingent on the outcome of the service,” and para 2.1.4 that says, “A Member Firm or Member Auditor shall not perform social compliance services at any facility where the Member Firm, its owners or managers have provided social compliance consultancy within the preceding two years.”

<sup>20</sup> SMETA audit reports on file with Human Rights Watch.

<sup>21</sup> Sarosh Kuruvilla, “Chapter 2: Practice Multiplicity in the Implementation of Private Regulation Programs,” in Sarosh Kuruvilla, *Private Regulation of Labor Standards in Global Supply Chains: Problems, Progress, and Prospects* (Ithaca: Cornell University Press, 2021), p. 53; 2 Jodi L. Short and Michael W. Toffel, “The Integrity of Private Third-Party Compliance Monitoring,” Working Paper RPP-2015-20, December 10, 2015, Mossavar-Rahmani Center for Business and Government, Harvard Kennedy School, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2695429](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2695429) (accessed March 10, 2023).

commissioned it), the nature of these services, and when they were provided. In the absence of such disclosures, it is difficult to gauge auditor “independence.”

SMETA audit reports also do not require the audit team to disclose whether members of the team have/had any business or other personal relationships with suppliers or brands. For example, Human Rights Watch learned of numerous ways in which audit integrity and quality can be compromised, including through revolving doors; translators used by audit teams being appointed by suppliers, and so on.

### **Transparency about Sedex’s audit quality control**

Sedex is not sufficiently transparent about its AACs, its Quality Assurance Programme and how it implements its [Auditor Rules](#). Sedex has yet to publish the minimum criteria used to select AACs and the month/year when an audit firm was first approved.<sup>22</sup> Sedex is also yet to indicate whether investigations are ongoing against any approved auditing firms; whether any AACs were previously suspended or terminated, and the measures the audit firm took before it was relisted as an AAC.

When it comes to reinstating AACs, Sedex’s Auditor Rules merely state that the grievance team can recommend “to reinstate them after *a suitable period of time* and upon the AAC further demonstrating that it has addressed those quality assurance matters of concern, comprehensively [emphasis added]”<sup>23</sup> but does not indicate whether terminated members can be relisted within a month or two, or would have to wait for a cool-off period (for example, at least one year). Sedex also does not provide a summary of the nature of corrective actions that a firm needed to take, and how these measures would be verified before allowing a firm to be re-approved.

Further, where Sedex terminates an AAC, it has yet to publish the names and street addresses of facilities/sites audited by the AAC. Publishing the names and street addresses of sites audited by an AAC that is terminated would also alert workers and their representatives, since the audits are meant to protect workers’ rights.

Sedex has the power to conduct *suo motu* investigations and shadow audits.<sup>24</sup> But it does not reveal how many such *suo motu* inquiries and shadow audits are conducted every year into its

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<sup>22</sup> Sedex, Auditor Rules, <https://www.sedex.com/app/uploads/2022/09/Sedex-Auditor-Rules-AQP-2020-Final.pdf> (accessed March 10, 2023), para. 2. The Auditor Rules also explicitly state that “Sedex reserves full discretion to accept any new audit firm as a Sedex AAC, irrespective of whether or not said audit firm would otherwise be eligible to join Sedex,” which appears to undermine the minimum criteria.

<sup>23</sup> *Ibid.*, para. 23.

<sup>24</sup> *Ibid.*, p. 2. “Grievance means a complaint raised by a Member, an AAC or a third party (*including Sedex*), in relation to a Member, AAC or Auditor, or in relation to Data, which Sedex sees fit to investigate under its Grievance Process”; paras. 10-12 on shadow audits and compliance framework.



audit systems, against whom, and the outcomes of such measures. For example, on December 5, 2022, SAAS suspended the India accreditation scope of four SA8000 certification bodies, stating that these were a result of surveillance visits undertaken after allegation of conflicts of interests between auditors, consultants, and certified organizations.<sup>25</sup> These four certification bodies were Bureau Veritas Certification, RINA, SGS, and TUV Rheinland. At this writing, all four firms continue to be Sedex Affiliate Audit Firms.<sup>26</sup> There is no information about whether Sedex has initiated an inquiry/shadow audit following suspensions by SAAS.

### Questions

16. Has Sedex initiated *suo motu* investigations of SMETA audits where a supplier conducting a SMETA audit subsequently faced US Customs and Border Protection withhold release order? **If yes**, please indicate whether lessons learned outcomes have been shared internally for all Sedex members, alerting them of any problems that Sedex detected, and steps all members should take to prevent their recurrence?<sup>27</sup> **If no**, please indicate whether Sedex will conduct such an investigation and by when?
17. Please share a summary of all *suo motu* investigations or shadow audits conducted and their outcomes going back to 2017, that is, three years before the onset of the pandemic.
18. For each of the audit firms approved by Sedex and appearing on the AAC list, please provide additional information about when the firm was *first* approved?
19. Please provide a summary of all auditing firms that have been sanctioned (including suspension and terminations) since the inception of SMETA’s audit quality control program; the reasons why they were sanctioned; and the corrective actions taken (if any of these entities were re-approved by Sedex).
20. Is the information requested in Qs 18 and 19 maintained within the Sedex platform so all users (buyers and suppliers) can see the historical information dating back 5 years for every audit firm approved by Sedex (including previously sanctioned, corrective actions, re-listed and so on)? **If yes**, please indicate the month/year when this feature was introduced. **If no**, please indicate whether Sedex will introduce such a feature and by when.
21. On the Sedex platform, does Sedex publish and update a list of all sites audited by a firm that has since been sanctioned to alert buyers and suppliers? **If yes**, please indicate the month/year when this feature was introduced. **If no**, please indicate whether Sedex will introduce such a feature and by when.

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<sup>25</sup> Social Accountability International, “Details on SA8000 Certification Body suspensions in India,” <https://sa-intl.org/details-on-sa8000-certification-body-suspensions-in-india/> (accessed March 10, 2023).

<sup>26</sup> Sedex, Affiliate Audit Firms.

<sup>27</sup> This would be aligned with “continuous improvement”—a claim that Sedex makes about its audit quality program—and part of human rights responsibilities under the UN Guiding Principles on Business and Human Rights principles 20 and 31 (g).

22. What measures will Sedex take to alert worker rights organizations and unions about sites recently audited (such as going back at least to the most recent full audit or at least one year) by audit firms that have since been sanctioned?
23. Will Sedex periodically and regularly publish summaries and lessons learned from its *suo motu* investigations? **If yes**, please indicate by when Sedex will start publishing these summaries.
24. What measures will Sedex take to address the problems posed by imposing the cost of social audits on suppliers?
25. Does Sedex have additional guidance for its members and affiliate audit firms on mitigating conflicts of interests? **If yes**, please provide a copy of the guidance document (including month/year since the guidance has been in place.) **If no**, please indicate whether Sedex will develop additional guidance and by when?
26. Does Sedex require an audit firm, the site being audited, and the commissioning brand (if any) to make any disclosures to assess conflicts of interests *before* the audit firm can proceed with a SMETA audit of a particular site? **If yes**, please provide more details about the nature of disclosures required and where these disclosures are made. **If no**, please indicate by when Sedex will require such disclosures.
27. Does Sedex plan to revise its audit report formats to require detailed written disclosures regarding conflicts of interests of audit firms, the audit team members viz-a-viz the supplier and the commissioning brand (if any)? **If yes**, please indicate a timeline by when the revised format will be issued.

#### IV. Publicly acknowledging the limitations of social audits in all Sedex materials

Sedex has not taken sufficient measures to acknowledge the limitations of social audits consistently and publicly, including on its website where it describes and promotes SMETA.

On its website, Sedex describes SMETA stating:

- “We believe in the importance of *continuous improvement*, so we work hard with our audit partners to ensure *we are delivering best in class audits*.”<sup>28</sup>
- “Businesses use SMETA *to understand and make improvements* to working conditions and environmental performance in their businesses in their supply chain.”<sup>29</sup>
- “SMETA is an audit, which *helps you to understand standards of labour, health and safety, environmental performance*, and ethics within your own operations or at a supplier site.”<sup>30</sup>

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<sup>28</sup> Sedex, Affiliate Auditors.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

- “Delivered by one of our approved auditor companies, you or your supplier *is provided with a Corrective Action Plan to help improve performance in these areas.*”
- “*It is designed to help protect workers from unsafe conditions, overwork, discrimination, low pay and forced labour.*”

Another Sedex publication on forced labor states, “A social audit *is one of the best ways to understand working conditions at work sites all over the world. They allow organisations to gather an initial understanding of the social, ethical and environmental risks and issues in their supply chains.... Our solutions provide organisations with the practical tools and guidance needed to operate ethically, manage risk, and work with suppliers to ensure fair working conditions for the people who make their products and deliver their services.*”<sup>31</sup>

But in SMETA reports, which are not published and difficult to access, Sedex states: “This report... *does not officially confirm or certify compliance with any legal regulations or industry standards* [emphasis added].”<sup>32</sup>

The failure to consistently and publicly acknowledge the limitations of social audit generally, and SMETA audits specifically, is an omission. It fails to check against actual and potential adverse impacts of social- or greenwashing by buyers and suppliers. Companies can use Sedex’s SMETA audits as the predominant or only form of human rights due diligence, allowing abuses to go under-detected or un-detected.

Our research as well as research by other organizations and academics shows that standard social audits present greater risks for labor abuses being under-detected or undetected, especially issues like discrimination and harassment, forced labor, child labor, and freedom of association violations, which are inherently difficult to detect without sufficient time and tailored methods.<sup>33</sup>

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<sup>31</sup> Sedex, “Recognising Forced Labour Risks,” p. 5.

<sup>32</sup> SMETA audit reports on file with Human Rights Watch. The full paragraph reads as follows: “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.”

<sup>33</sup> “Obsessed with Audit Tools, Missing the Goal,” November 2022, <http://www.hrw.org/report/2022/11/15/obsessed-audit-tools-missing-goal/why-social-audits-cant-fix-labor-rights-abuses>; Sarosh Kuruvilla, *Private Regulation of Labor Standards in Global Supply Chains: Problems, Progress, and Prospects* (Ithaca: Cornell University Press, 2021). Kuruvilla et al. analysed 21,041 social audit reports between 2011 and 2017 across different sectors. The sectors included agriculture, apparel, accessories, electronics, food, footwear, furniture, hard goods (other), jewelry, kitchenware/housewares, toys, and other soft goods. The analysis revealed that these social audits generated a low number of findings on a range of issues, including

While our report was not specific to SMETA, the information presented there is relevant to SMETA given its methods. Audits under the SMETA program last a few auditor days,<sup>34</sup> during which time, auditors are expected to cover a huge scope (depending on whether they opt for a 2-pillar or 4-pillar SMETA audit.) For example, SMETA’s 2-pillar audit covers a variety of complex issues, including forced labor, child labor, harassment and discrimination, and freedom of association. In the SMETA reports we were able to collect, none of the reports appeared to include interviews with workers offsite.<sup>35</sup>

Developments over the last few years have repeatedly raised questions about SMETA:<sup>36</sup>

- In Malaysia, for example, factories that had previously undergone SMETA audits, subsequently faced import restrictions from the US Customs and Border Patrol authorities. These include Brightway Holdings Sdn; Top Glove; and Maxter Gloves (and its affiliate factories).<sup>37</sup> Ansell, which was sourcing from Brightway Holdings’ LaGlove facility wrote that it was “following SMETA (Sedex Members Ethical Trade Audit) standards. This audit did not reveal these unacceptable living conditions. We are investigating why.”<sup>38</sup>
- Dyson, a Sedex member, is facing a lawsuit brought by foreign migrant workers who worked for ATA IMS in Malaysia (Dyson’s former supplier), alleging poor working conditions, including forced labor.<sup>39</sup> At this writing, the case is still pending in UK courts and Dyson is contesting the case.
- Workers have brought a legal claim against Intertek, an audit firm approved by Sedex, and Tesco, a Sedex member, alleging failures to detect abuses against workers in a factory in Thailand. At this writing, the case is still pending.<sup>40</sup>

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child labor, discrimination, forced labor, freedom of association, and harassment and abuse. The study argued that the low number of findings could be because of the limitations of audits spanning a few days.

<sup>34</sup> Sedex, Sedex Members Ethical Trade Audit (SMETA) Best Practice Guidance, <https://www.sedex.com/wp-content/uploads/2019/05/SMETA-6.1-Best-Practice-Guidance.pdf> (accessed September 6, 2022), p. 33.

<sup>35</sup> In the reports Human Rights Watch reviewed, auditors had checked a box against a question that asked “Interviews were done in private and the confidentiality of the interview process was communicated to the workers?” but without more details about the location. Where auditors mentioned the location of worker interviews, it was a room inside the factory.

<sup>36</sup> Since Sedex does not publish social audit reports, the lack of transparency makes it difficult to conduct a quantitative analysis of SMETA reports.

<sup>37</sup> “Brightway Holdings Statement,” January 8, 2021, [https://media.business-humanrights.org/media/documents/BrightwayHoldings\\_8Jan2021.pdf](https://media.business-humanrights.org/media/documents/BrightwayHoldings_8Jan2021.pdf); “Top Glove denies migrant workers producing PPE are exposed to abusive labour practices & Covid-19 risks; incl. responses from auditing firms,” <https://www.business-humanrights.org/en/latest-news/malaysia-top-glove-denies-migrant-workers-producing-ppe-are-exposed-to-abusive-labour-practices-covid-19-risk-incl-responses-from-auditing-firms/> (accessed March 10, 2023).

<sup>38</sup> Business and Human Rights Resource Centre, “Ansell’s Brightway Holdings Statement,” January 8, 2021, [https://media.business-humanrights.org/media/documents/BrightwayHoldings\\_8Jan2021.pdf](https://media.business-humanrights.org/media/documents/BrightwayHoldings_8Jan2021.pdf) (accessed March 10, 2023).

<sup>39</sup> Leigh Day, “Dyson accused of forced labour and dangerous conditions by migrant workers in Malaysian factory,” <https://www.leighday.co.uk/latest-updates/news/2022-news/dyson-accused-of-forced-labour-and-dangerous-conditions-by-migrant-workers-in-malaysian-factory/> (accessed March 10, 2023).

<sup>40</sup> Leigh Day, “Tesco and Intertek face claims of forced labour and debt bondage at F&F fashion factory,”

After the US customs authorities issued an import restriction against goods supplied by Top Glove, Sedex issued a statement in June 2020 that claimed SMETA was “based on best practice ethical audit techniques” and further that “Sedex does not independently verify the content.”<sup>41</sup>

Promoting SMETA, especially in countries or regions that are known high risks for forced labor, as incorporating “best practice ethical audit techniques,” instead of highlighting the risks they carry for workers and businesses, when businesses rely on SMETA alone, contributes to actual and potential human rights abuses of businesses, and to social washing.

### Questions

28. By when will Sedex publicly acknowledge the limitations of its SMETA program in all its materials, including prominently on its webpages where it describes SMETA?
29. By when will Sedex publish the standard disclaimers used in its SMETA reports in all its other materials, including prominently on its website where it describes SMETA?

## **V. Suspending social audits in high-risk regions such as in the Xinjiang region of China**

It is unclear whether Sedex permits its SMETA program to be implemented in the Xinjiang region of China and/or recognizes self-assessment, second party audits, or other third-party audits conducted in the region on the Sedex platform.

In October 2021, a Sedex affiliate audit company conducted a SMETA audit of a factory in Xinjiang.<sup>42</sup> The report does not specify the ethnicity of the workers employed in the factory. It does not discuss the recruitment processes used. The report notes that all employees were living in factory-provided accommodation onsite. It concludes that there is no forced labor.

In 2021, Sedex issued a statement on Xinjiang that “Audits and Sedex’s audit methodology SMETA are designed to collect data at a country, sector, and site level, rather than track worker ethnicity [...] During an audit all workers at a site are taken into consideration within the scope of a SMETA audit. The methodology ensures migrant and other vulnerable worker groups can participate in the audit, including the interviews, *without outside interference by enabling independent auditors* to arrange the sampling needed for document reviews and interviews (rather than site management). Where possible, auditors will try and arrange group interviews

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<https://www.leighday.co.uk/news/news/2022-news/tesco-and-intertek-face-claims-of-forced-labour-and-debt-bondage-at-f-f-fashion-factory/> (accessed March 10, 2023).

<sup>41</sup> Sedex response in the Top Glove case, June 29, 2020, [https://media.business-humanrights.org/media/documents/files/documents/Sedex\\_response.pdf](https://media.business-humanrights.org/media/documents/files/documents/Sedex_response.pdf) (accessed March 10, 2023).

<sup>42</sup> SMETA report on file with Human Rights Watch.

by language groups or similar recruitment journeys to help with building rapport and making workers feel more comfortable discussing their shared experiences.”<sup>43</sup>

In September 2020, at least five audit firms announced that they would not conduct social audits in Xinjiang. In March 2020, a representative of another audit firm told Human Rights Watch they would not conduct social audits in Xinjiang because of the pervasive Chinese state surveillance, which posed extremely high risks to workers as well as the audit team. Since 2017, [Human Rights Watch](#) and [Amnesty International](#) have revealed how the Chinese state is committing severe abuses in Xinjiang. Human Rights Watch in 2021 concluded that those abuses constitute “crimes against humanity.” In 2022, a report by the UN High Commissioner for Human Rights also found that the human rights abuses in the Uyghur region committed by the Chinese state may amount to crimes against humanity.

The [Coalition to End Forced Labour in the Uyghur Region](#), of which Human Rights Watch is a member, considers it impossible to “verify that any workplace in the Uyghur Region is free of forced labour or to prevent the use of forced labour in these workplaces in line with human rights due diligence.” In particular, the coalition also notes that “[w]orker interviews, which are essential to the methodology of any labour or human rights investigations, cannot generate reliable information in these circumstances. No worker can speak candidly to factory auditors about forced labour or other human rights issues without placing themselves and their families at risk of brutal retaliation; there are widespread restrictions and repression of fundamental freedoms and human rights defenders, and civic space has been shut down. Numerous audit firms have pulled out of the Uyghur Region due to the impossibility to conduct audits.”<sup>44</sup>

### Questions

30. Has Sedex suspended the use of SMETA audits in Xinjiang? **If yes**, since when (date) has the suspension been in effect? Please provide a copy of any internal communication issued to Sedex members about the suspension of SMETA in the Xinjiang region. **If no**, are there any plans underway to institute such a suspension and when is it likely to become operational?

## **VI. Transparency about Sedex members and audited sites<sup>45</sup>**

In May 2021, Human Rights Watch wrote to Sedex, raising concerns about Sedex’s lack of transparency regarding SMETA.<sup>46</sup> Over a year has passed and Sedex has yet to release any

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<sup>43</sup> Sedex Statement, 2021, [https://media.business-humanrights.org/media/documents/SedexSMETA\\_response.pdf](https://media.business-humanrights.org/media/documents/SedexSMETA_response.pdf) (accessed March 10, 2023).

<sup>44</sup> Coalition to End Forced Labour in the Uyghur Region, Call to Action, <https://enduyghurforcedlabour.org/call-to-action/> (accessed March 10, 2023).

<sup>45</sup> In this letter, Human Rights Watch uses the phrase “audited sites” to mean “Sites of Employment” as defined by Sedex’s Auditor Rules, p. 2. “Sites of Employment means the physical sites where goods are grown, manufactured or assembled or, in the case of services, physical sites where significant labour is provided.”

public information about the names, street addresses, and other details (including the audit report) of all sites audited using Sedex’s tools.

The lack of transparency about audited sites adversely impacts the effectiveness of Sedex’s SMETA program as well as its grievance redress mechanism. Sedex promotes SMETA as a system designed to “help protect workers’ rights” and should make it easier for workers and their representatives, including worker rights organizations, to know where precisely SMETA is being implemented, by whom, the audit firms involved, and at a minimum, a summary of the findings, methodology, and the corrective actions.

Instead of making strides towards more transparency, we are particularly concerned that Sedex discourages its members from sharing SMETA audit reports. In its Forced Labour Indicators Tools Guidance, Sedex states that “*Information extracted from the reports can be very sensitive and we recommend that they should be managed carefully on a need-to-know basis, communicated only across appropriate senior team members in members’ businesses and ought not to be shared outside of your organisation.*”<sup>47</sup> It does not appear to create any exceptions, encouraging companies to voluntarily share information with unions, worker rights organizations, or labor rights experts who are working to improve working conditions, and who should in fact have a role in shaping prevention, mitigation, and remediation efforts. We believe Sedex’s organizational rules communicated in this manner to its members are counter-productive to member brands efforts to effectively discharging their human rights obligations.

We note that Sedex’s grievance redress procedure remains open to receiving complaints from “third parties” who are not Sedex members or Affiliate Audit Companies.<sup>48</sup> But Sedex’s lack of transparency about audited sites presents information barriers to third parties, including key populations impacted by SMETA. Currently, the grievance redress system expects unions, worker rights organizations, human rights defenders, or whistle blowers to have sufficient resources to investigate if a supplier is participating in Sedex’s SMETA audit program to be able to use Sedex’s grievance redress system.

We note that Sedex has introduced a new function to check the details of a SMETA audit, but this function is severely limited and can only be used by those who already know that a factory has participated in a SMETA audit and have the “Unique Reference Number (URN)” of the audit.<sup>49</sup>

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<sup>46</sup> Human Rights Watch letter to Sedex, May 19, 2021 and discussion between Human Rights Watch and Sedex on May 27, 2021.

<sup>47</sup> Sedex, Forced Labour Indicator Guidance, p. 2.

<sup>48</sup> Sedex, “Sedex Grievance Redress Process,” November 2020, <https://www.sedex.com/app/uploads/2022/10/Grievance-Process-Nov-20.pdf> (accessed March 10, 2023).

<sup>49</sup> Sedex, “Audit Verifier,” <https://www.sedex.com/audit-verifier/#audit-verifier> (accessed March 10, 2023).

We note that Sedex falls behind even the small strides in transparency made by organizations like Initiative on Compliance and Sustainability, which publishes at least the names, street addresses, and a few other data points about factories that participate in the ICS audit—which are not enough.<sup>50</sup>

We also note that Sedex is a membership organization that works for the mutual benefit of its members. But it does not publish a list of all members, indicating their membership status, how long they have been a part of Sedex, and disclosing how Sedex tracks the maturity of different members' human rights due diligence systems compared with their revenues (including the extent to which they follow Sedex's recommendations to go beyond social audits). Sedex also does not publish whether any members have been downgraded, suspended or terminated.

This lack of transparency unfortunately risks contributing to social washing. Some companies can join Sedex, pay membership fees, and opt to do the very minimum—that is use Sedex's tools like SMETA—while other members can opt to use SMETA and go beyond social audits, including by disclosing their supply chains, joining collaborative grievance redress mechanisms in-country, signing enforceable binding agreements, and so on. Companies with completely different approaches to human rights due diligence can be part of Sedex without Sedex making any distinction between them.

### **Questions**

31. Please indicate whether Sedex will commit to being more transparent by September 11, 2023, about audited sites?
32. If yes, please indicate which pieces of information outlined below will be published before September 11, 2023:<sup>51</sup>
  - 32.1. The name and street address of the audited site.
  - 32.2. Date when the site was first audited using Sedex's tools.<sup>52</sup>
  - 32.3. Date of the most recent audit and type of audit (full/follow-up).
  - 32.4. Nature of audit (announced, semi-announced, unannounced).
  - 32.5. Name of the firm that conducted the audit.
  - 32.6. Whether the approved auditing firm that conducted the audit provided any other service (such as product or quality testing or other sustainability consultancy) in the past 2 years to the buyer and/or supplier relevant to the audit.<sup>53</sup>

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<sup>50</sup> International Trade Centre, "Sustainability Map," <https://www.sustainabilitymap.org/network> (accessed March 10, 2023), filtered by data source: ICS – Initiative for Compliance and Sustainability.

<sup>51</sup> These track key anniversaries.

<sup>52</sup> This would allow readers to understand how long a site/facility has been administering the program.

<sup>53</sup> This disclosure indicates "independence" of the party that audited the site in relation to the site and the brand that commissioned the audit.



- 32.7. Name of the party that appointed the audit firm.<sup>54</sup>
- 32.8. Name of the party that paid for the audit.<sup>55</sup>
- 32.9. Copy of the audit report (including corrective actions).<sup>56</sup>
- 33. Will the information about audited sites be published in open access, machine-readable formats, on the website?
- 34. How frequently will the information be updated?
- 35. Please indicate whether Sedex will amend its “Audit Verifier” functionality to allow third parties to request a copy of the full audit report by providing some details regarding the name of a factory as well as the city/location of the factory. If yes, by when will this feature be introduced?
- 36. Please indicate whether Sedex will be more transparent about its members, publishing a list of all members, by membership status, and maturity of their human rights’ due diligence levels? **If yes**, please provide more details and indicate by when such a system will be introduced, including whether the details will be published in open access, machine-readable formats.

## **VII. Instituting a robust grievance redress mechanism and other outcomes-based monitoring**

The effectiveness criteria outlined in the UN Guiding Principles on Business and Human Rights state that grievance redress mechanisms should be legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning to improve the mechanism, and whose design and performance is based on engagement and dialogue with “stakeholders’ groups for whose use they are intended.”<sup>57</sup>

As mentioned earlier, even though Sedex says SMETA is designed to help protect workers, Sedex’s Grievance Redress Process is largely geared to receive complaints from approved audit companies and members. Sedex’s lack of transparency, including about the names and street addresses of sites audited implementing SMETA, and audit reports, places information barriers to bringing complaints to Sedex.

While the grievance process clarifies that “Sedex may also raise a concern in relation to a SMETA audit to invoke this Grievance Process,” there is no public data about the number of

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<sup>54</sup> This disclosure indicates “independence” of the party that audited the site.

<sup>55</sup> This disclosure indicates “independence” of the party that audited the site.

<sup>56</sup> This disclosure will be a strong deterrent against audit fraud.

<sup>57</sup> UN Guiding Principles, principle 29 commentary read with principle 31 and related commentary. In particular, “Since a business enterprise cannot, with legitimacy, both be the subject of complaints and unilaterally determine their outcome, these mechanisms should focus on reaching agreed solutions through dialogue. Where adjudication is needed, this should be provided by a legitimate, independent third-party mechanism.”

times Sedex has initiated *suo motu* procedures against its members or AAC's, and the outcomes of these procedures.

We also learned that in 2020 Sedex may have removed or reduced the power of the board to review grievances, including appeals, to be dealt with internally.

### **Questions**

37. Please provide a summary of grievances received and the outcomes of the grievances in a format comparable to the disclosures being made by the International Accord on Health and Safety in Bangladesh.<sup>58</sup>
38. Please indicate whether Sedex will commit to periodically publishing (such as annually) a summary of grievances received against SMETA audits and how these were resolved on its website (in a format comparable to the disclosures made by the International Accord)?
39. What measures is Sedex taking to improve the credibility of Sedex's grievance redress mechanism and align it more with the UNGPs criteria? Please specifically address any independent external assessment of Sedex's grievance redress mechanism as well as plans to introduce independent external oversight over Sedex's grievance redress and strengthen board oversight over grievances.

## **VIII. Collaborating to set up effective grievance redress mechanisms**

40. Please outline any efforts that Sedex has undertaken in collaboration with other MSIs and industry schemes to set up country-specific grievance redress mechanisms and the status of these efforts. In how many of the 158 countries that Sedex tools are applied have such collaborative efforts been pursued?

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<sup>58</sup> International Accord on Health and Safety, "Complaints Mechanism," <https://internationalaccord.org/workers/complaints-mechanism/> (accessed March 10, 2023).

## Response from Sedex to Human Rights Watch letter of 15 March 2023 (Part 2)

### About Sedex

Ahead of our response, it may be helpful to clarify how Sedex is set up and operates, including where our tools and services fit in to businesses' wider supply chain sustainability due diligence programmes.

Sedex is a services provider, and a small business of under 200 employees situated across a handful of countries worldwide. Brands and other buyer companies use Sedex to understand their supply chains and assess their suppliers and supplier sites, as part of their social compliance and supply chain human rights due diligence programmes. They join Sedex as members to access our platform, tools, and services.

Sedex was established by business members in 2004, with the explicit purpose of encouraging improved labour conditions and responsible practices in global supply chains (see our stated Objects 3.1 and 3.2 in our [Memorandum and Articles of Association](#)). This founding purpose remains protected. Our governance also includes the proviso that any profits are invested back into the business to continue furthering this purpose (see our Articles of Association, Article 86). We remain owned by our members.

Our tools and services are designed to support buyers to assess and better understand their supply chain risks. They are built on international best practice frameworks such as the UNGPs, and we provide guidance to support our members in operating in line with these principles.

While Sedex makes recommendations to our buyer members, aligned with the UNGPs, we do not set requirements or have regulatory powers over our members and their supply chain sustainability due diligence programmes. This means that while we encourage buyer members to follow best practice and adopt a human rights due diligence approach, we do not assess buyer members on whether they do this or sanction them if they do not.

We recommend businesses employ a combination of assessment tools and other mechanisms to build a detailed understanding of the conditions, practices, and workers in their supply chains, and to monitor the effectiveness of their programmes. We are aware that our members use a range of risk analysis, site assessment, monitoring, grievance mechanism, improvement and reporting tools and services to manage human rights due diligence, and aim to drive equality and improvements for workers through a wide variety of initiatives and commitments. This includes but is not limited to Sedex's solutions. Activities that are carried out outside of our platform, tools and services are not visible to Sedex.

Suppliers are assessed through our Radar risk assessment tool, Self-Assessment Questionnaire (SAQ) and on-site audit tool SMETA. SMETA does include requirements for improvements to suppliers by enabling auditors to note down non-compliance and set timelines for remediation, which suppliers then work to address. Enforcement and any sanctions on suppliers are managed by buyers – and we again recommend buyers adopt a best practice approach, aligned with the UNGPs and putting worker welfare at the centre of remedial activities.

Sedex understands and supports the need for greater transparency in supply chains, however the decision to publish an audit report is held by members. This is because the data on Sedex's platform is owned by our members. Our terms and conditions prevent us from sharing specific information on any individual member, site, or audit.

We recognise that, like all companies, we can always do more to improve social and environmental practices in supply chains and that our tools and services can always be improved. We regularly review and evolve our tools and services towards this goal. For example, we are currently updating SMETA with the aim to improve critical issue detection, we annually update the data in our Radar tool, and are revising our SAQ to encourage more accurate data captured within this.

We welcome Human Rights Watch and others' efforts to facilitate workable solutions, and support collaborative initiatives to identify, develop and execute these. We appreciate Human Rights Watch's constructive recommendations and will consider them in future product developments.

## **Section II, questions 7-15: Tracking members' measures "beyond social audits" on forced labour**

Our forced labour insights offering is based on multiple tools, including information from social audits, data and insights pulled from an SAQ, and multiple sources of external data in Radar ([which include](#) The World Bank, the World Economic Forum, the UN, the ILO, and the ITUC's Global Rights Index).

Better identification of forced labour is a key element of our strategy, along with gender, living wage, and worker voice. We are evolving our tools to do this as effectively as possible, including current work to improve critical issue detection at SMETA audits, annually updating the data in our Radar tool, and revising our SAQ to encourage more accurate data captured within this. As we evolve our tools, we are also assessing additional and improved ways to highlight forced labour risks to our members.

Our guidance<sup>1</sup> recommends that Sedex members review forced labour risks and indicators identified to decide what further investigations or actions are needed to reduce the risks or remediate actual forced labour, however these are recommendations only, rather than requirements of Sedex membership.

Sedex does not obligate our members to conduct an investigation, nor that members provide visibility of their full supply chain human rights due diligence programmes to us. This includes investigative activities that would take place outside of the Sedex tools, services and platform.

We appreciate Human Rights Watch recognising the value of Sedex's insights reports using aggregate data from our platform.

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<sup>1</sup> For example, in our report ["Recognising forced labour risks in global supply chains: Sedex findings from 100,000 audits"](#) (pages 5 and 23), in our ["Introduction to forced labour"](#) (see sections on forced labour indicators") and in our guidance on [understanding the indicators of forced labour](#).

### **Section III, questions 16-27: Instituting more robust audit quality controls**

The focus of Sedex's Audit Quality Programme (AQP) is to continuously improve the quality and accuracy of SMETA audits, improve the detection and reporting of onsite issues, and drive consistency across Affiliate Audit Companies. We recognise that this is a journey and a continuous process, and that there are opportunities for further improvement. We regularly review the programme to address these opportunities and draw on findings from the programme to make improvements to SMETA.

AQP comprises manual audit report spot check reviews, management systems audits of AACs, grievance and query mechanisms, and providing auditor training modules. Auditor rules are [published](#) on Sedex's website. We can sanction audit firms through suspension or termination.

Suspended firms are listed on Sedex's website and are removed once a suspension is removed. Any terminated firms are removed from the list of approved AACs. These suspensions and terminations are proactively published internally to members linked to audits conducted in the previous 12 months.

An overview of the programme, activities and sanctions is [published on our website](#).

In 2024 we plan to expand the AQP team to enhance its capacity to investigate audit issues.

We appreciate that there are costs involved in auditing programmes and that suppliers can end up paying for audits. The decision to fund a supplier's audit is agreed between a buyer and supplier. To reduce the burden on suppliers and maximise supplier value we provide low-cost supplier access to the Sedex platform, access to e-learning as part of supplier membership, and enable and encourage members to share audits so they can avoid rebooking audits where audits are already available (thereby reducing audit fatigue and duplication of cost and effort).

### **Section IV, questions 28-29: Publicly acknowledging the limitations of social audits in all Sedex materials**

Currently, no one tool alone can or should be relied on to uncover and remediate all human rights risks, or impacts occurring, within global supply chains. However, we work hard to ensure SMETA provides a robust methodology for detecting issues and believe it to be a strong, and scalable, method for deploying eyes and ears on sites to check performance across the fundamental ILO Conventions and highlight where improvement is needed.

SMETA audits cover the entire ETI Base Code and provide a snapshot of supplier performance on the day/s the audit takes place. Audits can act as a starting point for further investigation and a good foundation for suppliers and buyers to understand the ways in which they need to improve to meet local laws and the ETI Base Code.

Where more in depth assessments on specific issue/s are needed, other assessment tools that allow more focused investigation may be more appropriate.

Audits continue to identify and enable resolution of thousands of issues at work sites every year. We recommend businesses employ a combination of assessment tools and other mechanisms to build a detailed understanding of the conditions, practices, and workers in their supply chains, and to monitor the effectiveness of their programmes. We are aware that our members use a range of risk analysis, site assessment, monitoring, grievance mechanism, improvement and reporting tools and services to manage human rights due diligence.

In addition to our assessment tools, we also support members' supply chain human rights due diligence programmes via our Sedex Consulting team, who work with companies to advise on and develop responsible sourcing programmes tailored to a client's unique supply chain, risks, and needs. Outside of this bespoke service, Sedex does not take or enforce a view on where and how to use SMETA beyond our general SMETA guidance – such decisions are part of each member's wider human rights due diligence programme.

We agree that social audits are not a substitute for effectively enforced human rights and environmental due diligence legislation, and welcome the increased legislation being developed and coming into force around the world to encourage corporate sustainability due diligence across social, environmental and ethical areas.

**Section V, question 30: Suspending social audits in high-risk regions such as in the Xinjiang region of China**

As above – Sedex does not take or enforce a view on where and how to use SMETA.

We are aware of reported challenges in conducting supply chain due diligence and audits within some high-risk regions, including constraints on access by independent auditors, that make obtaining reliable information by any safe and ethical means (including interviewing workers) difficult.

We support audit companies' autonomy to make their own, informed, decisions about where they choose to operate, or believe they can operate without risks to auditors' safety or increased risks to audit quality and accuracy.

**Section VI, questions 31-39: Transparency about Sedex members and audited sites**

Sedex understands and supports the need for greater transparency in supply chains. We support our members' efforts to increase transparency, including where members make information on their supply chains information publicly available and publish audit information or reports.

However, under our Terms of Service Sedex cannot publish or publicly share individual details about Sedex members, work sites, audits and audit reports.

We continue to review Sedex's role in facilitating greater transparency. This is a point of ongoing discussion within Sedex.

**Section VII, questions 37-39: Instituting a robust grievance redress mechanism and other outcomes-based monitoring**

Our Audit team manage the grievances relating to SMETA, auditors and audit companies received through our audit grievance process. As in line with best practice for grievance mechanisms, these are handled confidentially to ensure concerns can be raised safely through this channel.

We accept grievances from audited parties, individual workers, auditors, audit companies and third parties in relation to the conduct of SMETA auditors and Sedex AACs. Where a party wishes to raise a formal grievance, we follow a formal procedure that allows an audit firm receiving a grievance adequate opportunity to respond, and Sedex comes to a conclusion which can include corrective action and/or sanctioning.

We can also pursue investigations outside of the formal procedure and draw on findings to make improvements to SMETA. This takes place either when a party does not want to raise a formal complaint e.g. as is the case for some anonymous whistleblowers, or where the complaint indicates a need to improve the SMETA methodology rather than a fault by an audit firm.

**Section VIII, question 40: Collaborating to set up effective grievance redress mechanisms**

Sedex does not have a grievance mechanism for workers with regard to their relationship with their places of work.

We are aware that many Sedex members have established, facilitate, collaborate to provide, or fund independent grievance mechanisms as part of their supply chain human rights due diligence programmes. We support and encourage these efforts.

Sedex's Consulting team can support businesses to incorporate and set up independent grievance mechanisms.