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	Social & Environmental Affairs Workplace Standards Audit Manual		Effective date: October 2016
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V2	September 2016	Auditor Impartiality & Conflict of Interest updated	4
		Man-day guidelines adjusted to include integrated KPI assessments	9

Contents

1   Purpose

adidas performs several types of audits to assess a factory's compliance levels against the adidas' Workplace Standards. This audit manual is designed to outline the scope of our audits, audit coverage policies and guidelines for the conduct of SEA audits.

2   Scope

This manual, and its associated documents, are applicable to all audits conducted under the scope of the Factory Approval Process as defined in adidas' Factory Approval Standard Operating Procedure. This applies to all audits conducted within the 'Internal' & 'External' coverage models. Any deviations in practice between the two are recorded where applicable and additional documentation specific to External Coverage audits can be found in the appendix.

Environmental Assessments are not included in the scope of this manual.

3   Supply Chain Audit Coverage Models

There are 2 types of audit coverage in the SEA programme: Internal & External Audit Coverage, further illustrated below.

3.1   Internal Coverage

Internal Audit Coverage (Direct Supply Chain)
• adidas has a direct contractual relationship with the supplier • Audit requirements are fulfilled by adidas' SEA Field Operations team

3.1.1   SEA Field Operations - Internal Monitor Requirements

All SEA auditors under the SEA Field Operations team have relevant qualifications and experience to perform their role and are able to demonstrate a comprehensive understanding of adidas' requirements and expectations.

For factories under Internal Audit Coverage, in cases where SEA resources are not available (i.e. scheduling/workload issues for SEA Field Team members), Business Entities will be responsible, generally at the supplier's expense, for hiring an authorised External Monitor (EM) for any auditing, remediation and verification needs.

3.2   External Coverage

External Audit Coverage (Indirect Supply Chain)
• No direct relationship exists between adidas and the factory. • Product is sourced by licensees, agents and other supply chain intermediaries • Approved External Monitors (EM's) conduct compliance audits

3.2.1   External Audit Coverage Programme Management

Openview Service Limited is the nominated Service Provider (SP) in the Asia-Pacific (APAC) and Europe, Middle East & Africa (EMEA) regions.

This SP is responsible for:
- Assisting & authorizing External Monitor (EM) Audit scheduling (including selecting which EM will conduct the audit);
- Reviewing audit reports;
- Communicating SEA's designation decisions following an audit
- Tracking updates to a supplier's Corrective Action Plan (CAP) in the Fair Factories Clearinghouse (FFC) compliance database.

While the SP manages these responsibilities, SEA's Programme Operations (PO) team oversees the SP's performance and implementation.

External audits in the Americas region are not currently within the scope of Openview operations and are overseen directly by the PO team (see the *Americas External Monitor Guidance* in the Appendix for further details).
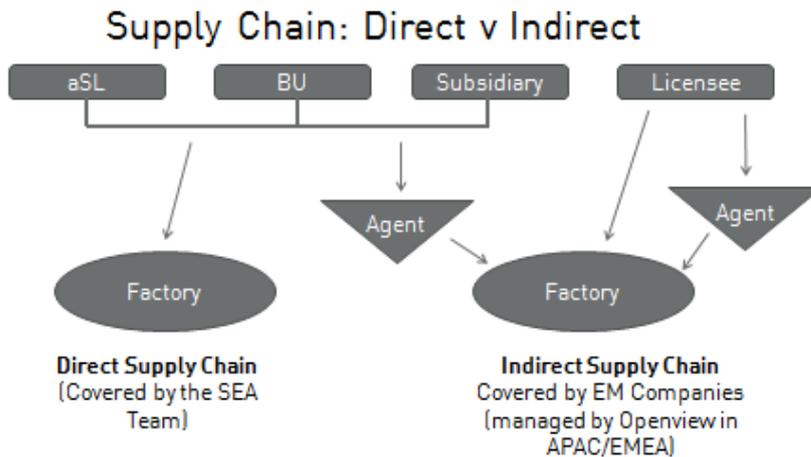
3.2.2 External Monitor (EM) Requirements
In order to ensure that only experienced and qualified auditors are servicing our business partners, only SEA authorised auditors can conduct audits on behalf of adidas . This means that the lead auditor must be authorised by SEA. **If an unauthorised monitor leads the audit, SEA, or the Service Provider where applicable, will reject the audit report.** While other auditors, not pre-authorised by SEA, can support the lead auditor in performing the audit, SEA expects that the quality of their auditing and reporting reflect the same high standards required of lead auditors.

In order to review the suitability of candidate auditors, the SP will require the following information:

1. Full name
2. Contact information (preferably auditors must reside in the country where they perform audits)
3. Résumé/Curriculum Vitae
4. Documentation detailing the auditor's education/training (ex. certificates, foreign languages, etc.)
5. Records of relevant audit experience e.g. details of number of audits completed, locations, audit types/schemes.

A lead auditor must meet, at a minimum, the following requirements:

1. **Auditor Experience**: Three or more years of auditing experience and performing at least 50 social & HSE compliance audits per year.
2. **Certifications:** Received training and has been certified either as a lead auditor or an advanced auditor (or its equivalent) in: SA 8000 as a requirement (at the discretion of SEA, similar alternative training may also be accepted e.g. Openview's Social Auditor Training Course), OHSAS 18001 and ISO 14001 as a preference. In the case of OHSAS 18001, if not completed at the time of approval, this should be completed within 2 years.
3. **External Standards Training**: Received SEA training on labour, health & safety and environmental standards and their international and local framework.
4. **SEA Training:** All lead auditors should have attended SEA or the Service Providers training on adidas' Workplace Standards and auditing methodology. Some exceptions may be granted depending on the prior agreement with the Program Operation Lead in the region. This is pre-determined based on consideration of the country, availability of SEA and the capability of Auditor.

In addition, SEA will take the following into consideration:

1. **Other Brand's Authorisation**: Whether the auditor has been authorised by another brand to conduct audits.
2. **SEA Guidelines**: The auditor's understanding and familiarity with SEA's Guidelines on Employment, Health & Safety and Environment.
3. **Languages spoken**: Whether the auditor can fluently speak the languages of the workers and the factory management.
4. **Location**: Whether the auditor is located in the country where the audit will take place.

SEA & the SP:

- May require that an external auditor candidate participate in an SEA audit prior to authorisation to verify and observe that they understand and follow SEA's guidelines and auditing procedures.
- Reserves the right to participate in and observe an audit conducted by any external auditor as part of their initial and ongoing evaluation process.
- May place the auditor on probationary status or remove the auditor from the list of authorised auditors if their performance is not up to SEA's expectation or in the case of incidents that jeopardize the auditor's integrity (ex. bribery).

4   Fundamental Auditor Conduct

4.1   Procedure Implementation
- All SEA Policies, SOP's and Guidelines must be followed strictly.
- When an EM fails to conduct an audit in line with the procedures outlined in the Audit Manual, SEA has the right to refuse the audit report and to require that the audit is conducted again at the EM's expense. Examples include, but are not limited to:
    o   executing the scheduled audit without informing the SP;
    o   failing to get SP's prior approval before the audit;
    o   an unauthorised auditor performing the audit;
    o   or instances of bribery on behalf of any party involved in the audit process

4.2   Auditor Impartiality & Conflict of Interest
adidas' SEA field monitors, like all adidas employees, are held to adidas' Code of Conduct, and therefore may not directly or indirectly, neither in their country nor abroad, offer or grant unlawful benefits in connection with conducting or scheduling an audit on behalf of adidas. This includes either monetary

"kickbacks" or any other type of benefit (i.e. free products, favours, promise of future monitoring and/or consultancy work).

Because of the important role SEA plays in safeguarding the reputation of adidas, we follow a policy which is <u>stricter</u> than that stated in the company's code of conduct. Our approach within SEA is that:

- We accept <u>no</u> gifts from suppliers or service providers, irrespective of the value.
- We normally decline dinner invitations or other forms of entertainment from suppliers, unless these are part of a larger group dinners or functions being organized with Sourcing, or as part of a function for visiting dignitaries, or general celebrations at a factory (e.g. an anniversary event).
- We would normally decline paid-for lunches, but it is permissible to eat with suppliers during factory visits or if they have takeaway food delivered for working lunches.

The same principles apply to all authorised External Monitors.

5   Audit Scope

Under the SEA programme several different audit scopes are utilised as defined in the table below:

Scope	Objective	Scope of Audit
Initial Assessment (IA)	To assess new factories against Zero Tolerance and Threshold Issues.	All Zero Tolerance and Threshold Issues (ZT&TI), Management Commitment Evaluation (MCE) and Management System Evaluation (MSE) should be covered. The factory must comply with all ZT&TI and major issues under MCE and MSE to qualify for production.
Initial Assessment Follow-Up	To determine whether the factory has remedied all Threshold Issues which were identified in an IA and that no new ZT or TI's exist.	All ZT & TI, MCE and MSE should be covered similar to an IA. In addition, all the open issues from the IA must be assessed. Scope used for all the second visits where the first designation of the factory is either "SEA Rejected with Second Visit" or "SEA Accepted--Subject to Conditions".
Performance Audit (PA)	To monitor compliance in existing suppliers against all areas of adidas' Workplace Standards & Guidelines	All code provisions including ZT & TI, MCE and MSE must be reported on. All the open issues from the previous audits must also be assessed.
KPI Assessment	To evaluate the factory according to the seven Units of Measures (UOM) in the KPI Tool & the Sustainability Leadership criteria	KPI rating and the scores for each Units of Measure i.e.: 1. Management Commitment and Responsiveness 2. Management System 3. Labour & Industrial Relation 4. Compliance Training for Workers and Management 5. Transparency in Communication & Reporting. 6. Compliance Performance 7. Sustainability Leadership

Within the External Coverage model, approved EM's will primarily be selected to conduct IA's, IA Follow Ups & PA's. Selection will be based on the criteria below:

Audit Type	Initial Assessment (IA)	Initial Assessment Follow up (IA-FU)	Performance Audit (PA) & Threshold Issue (TI) Follow Up Audits
Who performs the audit?	Approved EM selected by SP	Approved EM selected by SP based on: Alternative EM to the one that performed the IA.	Approved EM selected by SP based on: Alternative EM to the one that performed the last IA/PA.

5.1 Site Coverage during Factory Audits

As an over-arching principle, all facilities under the same Business License should be covered. However, there may be some cases, as outlined below, where an adapted approach may be required. These will be considered on a case-by-case basis and must be approved by SEA prior to the audit.

When our factory is in a multi-level building[1]:

- The auditor should try to cover other floors in the same building in terms of the building's structural and fire safety. Sometimes, other owners might not grant auditors access. In such cases, auditors should check the walls, windows, hallways, stairs, elevators, etc. in common areas to get an overall impression of fire and structural safety of the building. As a best practice, auditors can ask for permission to go into the facilities on other floors to have a quick check of fire and building safety.

- The auditor should cover other facilities in the same building if they are involved in a vertical production set up with the primary adidas supplier factory. For example; a printer on the 4th floor needs to be audited if they are doing the print work for the primary factory on the 2nd floor, even though the management of the two facilities are different.

When there are multiple buildings on the same premises that belong to the same management:

- The auditor should cover all the common areas including cafeterias, dormitories, chemical warehouses, etc. which are used by all the workers from different buildings. Regarding common areas, a walk-through is not enough. The auditor needs to check the documents of the workers employed in common areas and also include them in the interviews. (For example; workers employed in the cafeteria, warehouse, clinic, etc. would fall under audit coverage.)

- The auditor should cover the other buildings only if the production in the other building is related to adidas' production (i.e., vertical set-up production in between the buildings). (For example; an embroidery section in the next building is used by the primary factory would fall under audit coverage.)

- The auditor should cover the other buildings only if there is swapping of workers between buildings/businesses.

If the other buildings in the same premises do not fall into any of these points, then a written commitment from the factory's top management is needed to confirm that the production for the adidas' brands is fully dedicated to only a specific building/s with no vertical production occurring in any other buildings, no common areas used by the workers from other buildings, and there is no swapping of workers between buildings/businesses.

[1] In Bangladesh, we do not accept multi-level buildings

6 Conducting the Audit

This section includes guidance for the auditors to prepare, to conduct and to report an audit. It provides ideas about critical message points and areas that do need to be covered by an auditor during an audit

Further audit methodology tips and tricks can be found in the appendix.

6.1 Methodology

Experience shows that non-compliances vary by region and country - and even by factory. As a result, auditors will need to formulate specific assessment methodologies that most effectively cover the relevant conditions and assist factory management and workers with implementing the Workplace Standards. However, the components of an audit generally follow this standard practice:
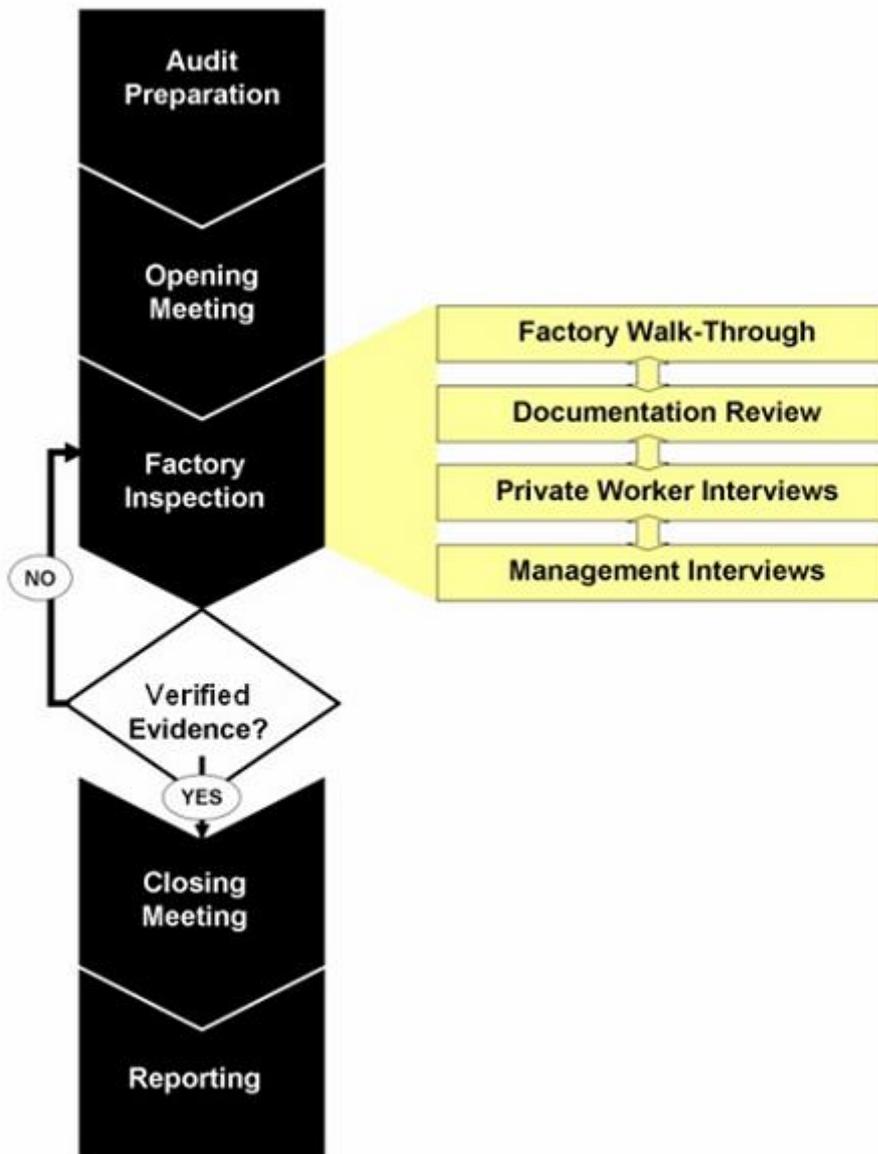
6.1.1   Audit Preparation

Auditors should follow their own methodologies and practices for preparing for the audit. However, adidas also expects auditors to review, and be knowledgeable of, the following as part of their audit preparation.

Local Law	• Auditors should be fully aware of the conditions, challenges and issues prevailing in the country, region and industry where the audit is to be conducted. • Auditors should have requisite knowledge of local law and to understand common areas of non-compliance and areas of concern to workers. • It would be useful for the auditor to gather the relevant code regulations and have them available as a reference in the audit.
Workplace Standards	• The auditor should have a strong understanding of the Workplace Standards and understand where adidas' requirements are stricter than the local law.

SEA Country Risk Mapping	• Provides special guidance on the following high risk issues:
	  ➢ Issues particular to a country;
	  ➢ Common areas of non-compliances in the country;
	  ➢ Common areas of non-compliances found in audits at existing business partners;
	  ➢ SEA requirements for the country that go above local labour law.

SEA Guidelines	• Detailed guidance and case studies of common non-compliances and best practices contained within the:
	
	  ➢ Health & Safety Guidelines
	  ➢ Employment Guidelines
	  ➢ Environmental Guidelines
	
	All these documents are available on the adidas' "Sustainability" website: (http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies)
	Additional guidance documents, such as the Fire Safety Guidance Note & the Boiler Guideline, should be reviewed and can be downloaded from the Fair Factories Clearinghouse (FFC) under Standard Documents.

Supplier Self-Assessment	• Contains information on working hours, wages, safety & health and policies and permits, number and language of workers/management, number of buildings and floors. • Auditors can use the information to develop a risk profile of the factory and focus on the biggest risks of non-compliance with ZT and TI requirements during the audit.
Supplier Open Issues List	• Before visiting the factory, auditors are expected to check the factory's account in the FFC regarding the open issues from all previous audits. • The factory is required to provide a CAP update and status of open issues with relevant evidence and completion date of remediation. High priority should be given by the factory for non-compliances open for more than 3 years and Threshold Issues open for more than 1 year. • Check records of any worker complaints and/or incidents recorded in the FFC, and follow them up during the audit. For External Monitors, the SP will share any such cases with the EM before the audit takes place.
External Sources	• Check any local NGO and/or media coverage of the factory concerned.
FFC Data Cleansing	• Review key FFC factory account, sourcing group and self-assessment data to ensure all information is completed and up to date. Use the pre-audit checklist in the FFC to ensure that all fields are completed and accurate before conducting an audit

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6.1.2   Audit Length

The length of time to be spent onsite conducting an audit at a factory falling under the Internal Coverage model will be decided by the relevant Field Operations team member. This will be based on the risk profile of the factory concerned and the team member's professional judgement.

However, **External Monitors** are expected to follow the audit man-day guidelines detailed in the table below based upon the number of employees in the factory.

In all cases, all audits must take place at times where the factory is fully operational, therefore, the auditor should consider this in their preparation and confirm the operational status with the factory management in advance.

Audit Man-day Table				
Number of Total Workers	1-350	351-1000	1001-2000	>2000
Audit Man-days	1	2	3	4

Note: if a KPI assessment is combined with a PA then an additional man-day can be added to those listed above to allow for the additional content.

6.1.3   Opening Meeting

The Opening Meeting provides an opportunity for the auditors to introduce themselves to the factory's management and to explain the audit process. In the Opening Meeting the auditors should:

•

Opening Meeting

- Conduct: in a language understood by management.
- Invite:
- Factory owners, general manager;
- Compliance Manager
- Other relevant employees, whenever possible, from;
  - o   Human Resources
  - o   Health & Safety
  - o   Production & Planning
  - o   Trade union or worker representatives.

- Show:
- The **Access Letter** to factory management (if the audit is unannounced & conducted by an External Monitor).
- Explain:
- The purpose of the visit, expectations and how the audit will be conducted.
- The audit scope i.e. if an Initial Assessment or Initial Assessment Follow Up, it will focus on whether the factory meets the preconditions

- Provide:
- An **audit itinerary** so factory management can arrange relevant persons to be available and cooperate.
- Advise:
- Management that **unrestricted access** to records or documentation, supervisors and workers and all areas including the shared facilities being used by the factory is required to fully assess working conditions.
- That pictures will be taken of the site and used where necessary to illustrate certain non-compliances where identified.
- That **denial of access** will disqualify them from being a business partner.
- Management are expected to protect all employees who participate in the audit process from any form of retaliation.
- Inform:
- Management on how and when findings will be communicated.
- Management that if they become an adidas supplier, on-going compliance with the

necessary to qualify as a supplier to the adidas (i.e. Zero Tolerance and Threshold Issues).	adidas' Workplace Standards is required to be eligible for production orders. • That on-going annual audits will be conducted to assess the factory's compliance performance with all of the Workplace Standards and benchmarks.

6.1.4   Site Tour

The site tour, or factory walk-through, should include all production & storage areas, maintenance and electrical rooms, boilers, compressors, generators, transformers etc., communal facilities, dormitories etc. where present. This can also include, where deemed relevant by the auditor, a perimeter survey.

6.1.5   Worker Interviews

Worker interview selection criteria:
• A broad range of the workforce should be selected, including potentially vulnerable workers and those in less skilled positions.
• Workers selected for interviews should reflect the factory's overall workforce in regards to: gender, age, ethnic, national, linguistic, migrant or religious groups, different contract types such as permanent vs. temporary employee status, agency workers, years of service for the factory, from different departments within the factory, including security and canteen workers as well as production workers, different designations, for example rank and file workers and supervisors etc.
• Workers should be selected from different parts of the factory's premises (ex. workers from different buildings, floors or lines, etc.) & if possible from different shifts.
• Interviewees should only be selected by the auditor and never by the factory's management.
• If the factory is unionized, or if there is no union but a formalized worker representation system is in place, it is important that leaders of the union/worker representatives are interviewed.
• Workers should be selected as close to the interview time as possible with little advance warning to either the worker or the factory's management.

Internal Field Operations auditors will decide on the number of interviewees according to their professional judgement.

However, **External Monitors** are expected to follow the minimum interview sample sizes below:

Number of Workers	Minimum Number of Worker Interviews
1-350	10
351-1000	20
1001-2000	40
>2000	60

The auditor who conducts the worker interviews should:
- Where possible, be of the same gender as the majority of the factory's workforce.
- Conduct interviews in a variety of settings as they deem appropriate in regards to the issues being discussed (ex. one-on-one interviews; group interviews; etc.)
- Conduct interviews in a private environment close to the production area in which the workers should feel comfortable.
- Conduct off-site interviews and/or surveillance, where deemed necessary or beneficial by the auditor, near but outside factory premises, as needed, to ensure that workers can speak freely without the presence of factory management and/or check if factory is having its weekly rest days or letting workers get out of their dormitory on their off hours.

Unless unavoidable or agreed in advance with SEA, translators should not be used support interviews with language groups which make up 50% or more of the workforce. In these cases, the auditor should be a native speaker of the language concerned. In cases where there is a multi-lingual workforce, auditors may use a translator to access the views of workers from minority groups.

The protection of workers is of priority, therefore, any problems raised by workers need to be discussed with management in a non-attributable way in order to protect workers from retaliation. The names of workers involved in identifying an issue should never be divulged to the factory management. The auditor is expected to keep a confidential note of who is being interviewed and to leave a contact telephone number with all workers interviewed so they can later make direct contact with the auditor if necessary, in addition to having access to adidas' Worker Hotline.

6.1.6 Record Review

Auditors should review all factory documentation necessary to verify compliance with ZT and TI requirements. This includes but is not limited to:

- Payroll and records of time including legally mandated benefits.
- Safety trainings
- Machinery maintenance, fire equipment and hazardous materials
- Relevant licenses & permits.

SEA requires that a factory's timekeeping and payroll records must be accurate and reliable in order to verify proper wage payments and sustained factory practice – please refer to the table below.

Auditors should also respect certain countries' laws that prohibit the photocopying of certain personnel documents (ex. social security card).

Record Review – IA	Record Review – PA
- Min. last 3 months' of records. - Preferably more within the last 12 months	- Min. 3 months in the previous 12 months. - 1 month from peak season; 1 month from low season; 1 month with public holidays. - Best practice to review the last 12 months records.

6.1.7   Closing Meeting

Prior to the closing meeting, a 'pre-closing meeting' should be held to allow the auditor/s to collate all findings, analyse the evidence gathered during the audit (interviews, document checks, employment site tour) and identify inconsistencies, non-compliances, observations, and good practice. An analysis of the findings of the audit should be completed before the closing meeting even if the audit was completed by one auditor.

The Closing Meeting allows for the auditor to provide the factory management with an overview of the day's events and the findings from the audit, as well as to assess and obtain the management's commitment and capacity to correct any areas of non-compliance. In the Closing Meeting the auditor should:

Closing Meeting	
- Invite: - Factory owners; - Senior management, whenever possible, from; - Compliance - Human Resources - Health & Safety - Production & Planning - Trade union or worker representatives.	- Provide an overview of the day's events. - Review primary findings, both positive and negative, with factory management. - Highlight, and urge prompt remediation of longstanding unresolved non-compliances (more than 3 years) and Threshold Issues (more than 1 year). - Discuss any open worker complaints. - Assess the management's commitment to comply with the Workplace Standards. - Ask any pending questions needed in order to fully complete the "Management Commitment and Systems" section. - Provide an overview of possible next steps.
External Auditors Only	
- Ask factory management for their ideas on preliminary remediation steps and document them in the Corrective Action Plan (CAP) template, each step is expected to provide an estimated finish date and responsible person and the document should be signed by the factory management. Please refer to Appendix A for the CAP template. - Factory management will be interested in understanding the next steps in the process; please note, it is SEA or the Service Provider to determine the outcome of the audit, and the authorisation for production - so do not provide a response on this either way. - Advise the factory management that, in order to verify that Threshold Issues have been remediated in a sustainable way, it is necessary in some cases to conduct a follow-up audit on the condition that: - The factory has reported in writing that the remediation has been finished. 3 months' records are available demonstrating compliance. - Advise Factory Management that SEA is conducting an EM Audit Survey to factories to improve the audit process as per SEA expectations and that the Service Provider will contact them shortly after the audit.	

7.0   Reporting

The findings for all audits are reported through the Fair Factories Clearinghouse (FFC) and should be submitted within **7** business days from the audit date. For reporting to be considered 'Complete' in the FFC the following must be submitted:

- New FFC audit report record with the current compliance status of all Zero Tolerance, Threshold Issue, MCE, MSE, and non-compliances entered with sufficient detail.
- The signed Corrective Action Plan (CAP) Report from the closing meeting **(External Monitors only)**.
- Photo File – these are photos of the production buildings and general environment that help provide an overview of the facility.
- Any other relevant supporting evidence (auditors will need to upload solid evidence as a source of finding such as photographs, photocopies of documents reviewed) in the relevant code provision in the CAP.
- Existing open issues from earlier IA/PA's (if applicable) are updated recording their current status i.e. actions taken to date, verification status under the "Action Verified Details" section of the last audit.

All of the above should be delivered in English with documents such as the Corrective Action Plan (CAP) also delivered in the language of the management, wherever this is possible. SEA reserves the right to reject an audit report and/or remove the External Auditor from its authorised auditor list if any of these items are not recorded in the FFC.

Completing the FFC Audit Report:

The FFC User Guide provides full guidance on how to complete the report in the FFC. However close attention should be paid to the following points:

Code Provision	Score	Explanation
All "Required" Code Provisions must be answered. These cover all: • Zero Tolerance • Threshold Issue • Management Commitment & • Management Systems Evaluation Additional Code Provisions not covered above can be added to record minor non-compliances.	All of the ZT & TI Code Provisions must be marked as **Pass** or **Fail**. Management Systems & Commitment Evaluation must be marked with **Yes** or **No**. The use of the "No Finding" score is not accepted for the required code provisions. For focused audits where the auditor is investigating a specific topic, it is acceptable to score the uncovered TIs as N/A	For **all** "Required" Code Provisions provide: • A detailed description or explanation of the score given for all Pass, Fail, Yes, No replies • Check all sources used to verify the finding. • Provide a detailed description of the sources/evidence used to verify the finding. (For example, where the interviews are the source, the auditor should note details including: how many persons were interviewed, how many verified the non-compliance, etc.) • Where the score is "Fail" or "No", both the 'Root Cause' (ZT & TI only) & the 'Company Plan of Action' should be updated as well.

Notes for Reporting:

Confidential Worker Information: The report should **not** include any information that could be used to identify specific workers – such as names, ID numbers, job descriptions and/or work location. In exceptional circumstances when the best interests of affected workers (i.e. under age workers) are served through disclosing their identities, or where there is information that is too sensitive for the audit report, the auditor can provide details within the "Confidential Summary" of the FFC report. The same can be used for

concerns, which cannot be substantiated through evidence and/or interviews or to report the attitude of management towards the non-compliances or the audit process as a whole. For External Auditors, in the case of evidences in pictures containing sensitive/restricted information, please send it to the Service Provider.

When the audit report has been completed in the FFC, in the case of External Coverage Audits, the auditor should notify the SP immediately.

Note: All audits need to be conducted within the required time frames. If the audit could not be conducted on time, then the relevant SEA staff needs to put an explanation into the designation comment field in the FFC about the reasons of the delay.

7.1 Special Reporting Requirements

Issue Type	Reporting Expectation
Critical issues including but not limited to: • Those which present imminent risk to workers' safety/risk to life and limb. Or • Constitutes a significant breach of workers' human rights. Or • Instances of unauthorized production, bribery, denial of access or an attempt to pervert the course of the audit through fraud, coercion, deception or interference.	When identified by an External Monitor, the EM should follow the instructions on the **External Monitor (EM) Alert Sheet** and send a copy of the Alert Sheet to the Service Provider right after the audit whenever possible, and within 24 hours at the latest. Please refer to the appendix C for more details about the Alert Sheet. Internal SEA auditors will follow their normal reporting & escalation process within the SEA team.
Excessive Overtime	The description of violations should at least contain assessment on below factors to determine general practice as threshold issue: - the percentage of workers affected - the weeks when violation found in the past year - the highest working hours
Failure to manage existing child labour problems	When child labour is found, the auditor should provide as much of the following information: • Obtain the names of all child workers with clear identification so that checks can be conducted to ensure none of them are being dismissed. • Verify the worker(s)' age and the numbers of child labour • Try to find the reasons why they are working in the factory • Any hazards at their working position • Check HR policy to find why child labour was hired • Find out why are they not in school and what is the family situation The auditor should also communicate to the management the expectation that they should remove any underage worker from work station immediately and move them to safe place. Management should provide a clear

	explanation to workers for their understanding and obtain assurance that no children will be dismissed.
Use of banned chemicals or restricted substances	When banned chemicals are discovered, please provide as much of the following information as possible: • Floor plans (of the work area, and its adjacent areas, where the banned chemical(s) are used) • Photos (the entire ventilation arrangements, its peripheral facilities workstation, workers, etc.) • List of chemicals used the production process (chemical name, volume) and the inventory list (See APPENDIX D) • Location and layout plans of exhaust ducts / systems • Direction of airflow at the entrance to production room • Design specification / manual • Maintenance plan and records • Installation of abatement device • Testing report (ambient concentration & occupational exposure level) • Record on the selection process for PPE and the distribution record • Record of chemical use mapping.

Management Commitment and Systems	In cases where the major items within MCE and MSE sections have negative findings, the auditor can give a failing score to the Threshold Issue relating to Management Attitude and System. To further support the commitment evaluation, the CAP that was reviewed during the closing meeting should be signed by both EM and factory management and uploaded to FFC.

8.0   Report Review & Designation Setting

8.1   Internal Coverage

For Internal coverage factory audits, reports will be uploaded to the FFC and the SEA Approval designation updated and communicated to all Sourcing Organisations within 14 business days.

Following the audit, SEA will send the audit findings summary to the factory and sourcing and request the factory to develop an action plan. This may also include a request for a follow up meeting to review the action plan.

During such a follow up meeting it is expected that:
   a. The factory presents the action plan and revises and agrees the action plan as necessary based on feedback from SEA team.
   b. Discusses the root causes of major issues found.
   c. The factory records the minutes of the meeting to ensure they capture all important points discussed.

SEA will then periodically review actions taken by the factory, and progress made as per the updated action plan. Where there are any deviations, SEA will provide suggestions/guidance for the factory on continuous improvement.

8.2   External Coverage

The SP, within **10** business days from being notified that the report is available in the FFC, will review the findings from the audit and determine the final designation. Further consultation may be necessary with the SEA Senior Manager/Regional Director, SEA Lead Champion, and/or Sourcing.

The SP will then follow their process, as outlined in their own procedures, for communicating the approval designation to the factory and sourcing.

8.3   Audit Report Sharing

On completion of the audit report review by the SP, the auditor will be instructed to prepare the report for sharing in line with the instructions contained within the FFC User Guide, "How to share the report".

9.0   Other Reference Documents

In addition to the documents provided in the appendix, auditors should ensure they are also familiar with all other applicable SEA documentation including those listed below:

Document	Audience	Location
Employment Guidelines	SEA team & External Auditors	FFC Standard Documents
Environment Guidelines	SEA team & External Auditors	FFC Standard Documents
Fire Safety Guidance Note	SEA team & External Auditors	FFC Standard Documents
Health & Safety Guidelines	SEA team & External Auditors	FFC Standard Documents
FFC User Guide	All FFC Users	FFC Standard Documents
Off-Site Interview Framework	Internal SEA Auditors	Offsite Worker Interview Documentation
Worker Interview Template	Internal SEA Auditors	Offsite Worker Interview Documentation

10   Appendix 1 – Audit Process Documentation

CAP TEMPLATE	ZERO TOLERANCE & THRESHOLD ISSUES	EXTERNAL MONITOR ALERT SHEET
CHEMICAL INVENTORY LIST	OPENVIEW SERVICE PROVIDER PROCESS FLOW	AMERICAS EXTERNAL MONITOR GUIDANCE