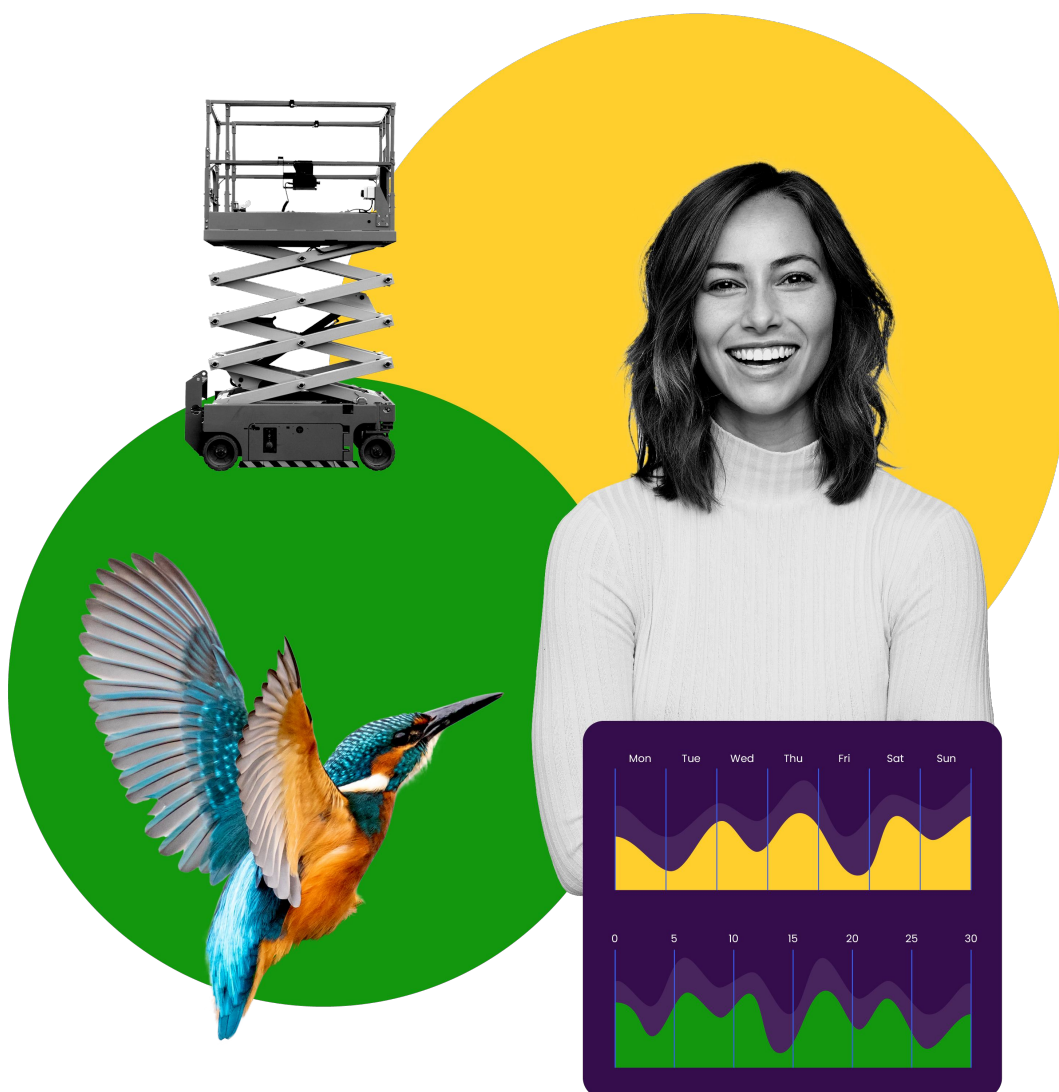


# SMETA Corrective Action Plan Report (CAPR)

Version 7



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# Audit content

(1) A SMETA audit was conducted which included some or all of labour standards, health and safety, environment and business ethics. The SMETA minimum requirements were applied and the SMETA auditor manual was followed. The scope of workers included all types at the site e.g. direct employees, agency workers, workers employed by service providers and workers provided by other contractors. Any deviations from the SMETA methodology are stated (with reasons for deviation) in the SMETA declaration.

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

## 2-pillar audits include:

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

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

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

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

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

# Audit details

## Site details

|                      |                                                  |              |                                                                                                                                                                                                              |
|----------------------|--------------------------------------------------|--------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sedex site reference | ZS1000042314                                     | Site name    | Team Fortune Zhihui (Huizhou) Animation Co Ltd                                                                                                                                                               |
| Business name        | Team Fortune Zhihui (Huizhou) Animation Co. Ltd. | Site address | 516223 Floors 1-4 Huangzhuchang Section (Factory Building E of Hongfa Industrial Development Co Ltd.), , Xinlian Village, Xinxu Town, Huiyang District, 广东省惠州市惠阳区新圩镇新联村黄竹场地段（宏发实业发展有限公司厂房E)1至4楼, Huizhou, CN |

## Audit details

|                         |                                                                                                          |                      |                            |
|-------------------------|----------------------------------------------------------------------------------------------------------|----------------------|----------------------------|
| Sedex company reference | ZC5000036162                                                                                             | Auditor company name | Benchmarks Company Limited |
| Audit company address   | Unit 9-11, 7/F., Block B, Proficient Industrial Centre,, 6 Wang Kwun Road, Kowloon Bay, Hong Kong, HK, - |                      |                            |
| Date of audit           | 2025-09-19                                                                                               | Audit conducted by   | Hank Li                    |
| Audit pillars           | Labour Standards   Health and safety   Environment 4-Pillar   Business ethics                            |                      |                            |
| Time in and out         | Day 1                                                                                                    | Day 2                |                            |
|                         | In 08:50                                                                                                 | In                   | 08:25                      |
|                         | Out 17:20                                                                                                | Out                  | 12:25                      |

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|                                                |                                                |
|------------------------------------------------|------------------------------------------------|
| Audit type                                     | Full initial                                   |
| Was the audit announced?                       | Semi announced                                 |
| Was the Sedex SAQ available for review?        | Yes                                            |
| Who signed and agreed CAPR?                    | Ms. Zhang Feng Lan / Administration Supervisor |
| Any conflicting information SAQ/Pre-Audit Info | No                                             |
| Is further information available?              | No                                             |

## Audit attendance

|                                           | Senior management               | Worker representative | Union representative |
|-------------------------------------------|---------------------------------|-----------------------|----------------------|
| A: Present at the opening meeting?        | Yes                             | Yes                   | No                   |
| B: Present at the audit?                  | Yes                             | Yes                   | No                   |
| C: Present at the closing meeting?        | Yes                             | Yes                   | No                   |
| Reason for absence at the opening meeting | No trade union was established. |                       |                      |
| Reason for absence during the audit       | No trade union was established. |                       |                      |
| Reason for absence at the closing meeting | No trade union was established. |                       |                      |

# SMETA declaration

## Auditor team

### SMETA declaration

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

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

This report provides a summary of the findings and other applicable information found/gathered during the social audit conducted on the above date only and does not officially confirm or certify compliance with any legal regulations or industry standards. The social audit process requires that information be gathered and considered from records review, worker interviews, management interviews and visual observation. More information is gathered during the social audit process than is provided here. The audit process is a sampling exercise only and does not guarantee that the audited site prior, during or post-audit, are in full compliance with the Code being audited against. The provisions of this Code constitute minimum and not maximum standards and this Code should not be used to prevent companies from exceeding these standards. Companies applying this Code are expected to comply with national and other applicable laws and where the provisions of law and this Code address the same subject, to apply that provision which affords the greater protection. The ownership of this report remains with the party who has paid for the audit. Release permission must be provided by the owner prior to release to any third parties.

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

The semi-announced window of this audit is from 18 September 2025 to 16 October 2025.

### Lead auditor

Hank Li

### APSCA Number

21704119

### Additional auditor

### Date of declaration

2025-09-20

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Site representation

|                     |                                                                                                                                                                                      |
|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Declaration         | I acknowledge that details from this report can change during the review process and that I will be given the opportunity to dispute the content once the review has been published. |
| Full name           | Ms. Zhang Feng Lan                                                                                                                                                                   |
| Title               | Administration Supervisor                                                                                                                                                            |
| Date of declaration | 2025-09-20                                                                                                                                                                           |

# Summary of findings

| Code area                                   | Workplace requirement                            | Area of NC             | Finding                         |
|---------------------------------------------|--------------------------------------------------|------------------------|---------------------------------|
| 3. Working conditions are safe and hygienic | 3.H Where identified as necessary to reduce r... | Local law<br>Base code | NC <a href="#">ZAF601113077</a> |
|                                             | 3.N Ensure that all hazardous substances (e.g... | Local law<br>Base code | NC <a href="#">ZAF601113078</a> |
| 5. Legal wages are paid                     | 5.B Ensure that workers receive the insurance... | Local law<br>Base code | NC <a href="#">ZAF601113079</a> |
| 6. Working hours are not excessive          | 6.F Ensure that where overtime is used, it is... | Local law<br>Base code | NC <a href="#">ZAF601113080</a> |

# Findings: non-compliances

ZAF601113077

Non-compliance

Due 2025-10-25

## Code area

3 Working conditions are safe and hygienic

## Status

Open\*

## Workplace requirement

3.H Where identified as necessary to reduce residual risk, provide (without charge to workers) and ensure the use of appropriate personal protective equipment (PPE).

## Time given to resolve

30 days

## Issue title

278 - Personal Protective Equipment (PPE) provided but incidents of workers not using PPE where appropriate

## Verification method

Desktop audit

## Area of non-compliance/non-conformance

Local law

Base code

## Description

The worker did not properly wear PPE (Personal Protective Equipment).  
During factory tour, the auditor found that 2 out of 5 sampled injecting workers working in the injecting workshop at 1/F of one 4-storey production building (Building E) was not wearing earplugs, which were provided by factory.  
现场走访过程中, 审核员发现一栋4层生产楼 (E栋)1楼注塑车间5名抽样注塑工人中2名工人没有佩戴耳塞, 但工厂有提供。

## Corrective and preventative actions

It is recommended that factory should provide suitable personal protective equipment to employees, train and supervise the employees to wear the personal protective equipment properly during working.  
建议企业应提供适当的个人防护用品给员工, 并监督、教育员工正确使用劳保用品。

## Local law reference

In accordance with PRC Work Safety Law (2002), Amendment (2021), Article 45, Production and business units shall provide their employees with work protection gears that are up to national standards or industrial specifications, and they shall give instruction to their employees and see to it that they wear or use these gears.

## Evidence

[The worker did not properly wear earplugs.JPG](#)

\* PDF generated at 20:50 (UTC) on 25 Sept 2025. [View this finding on the Sedex platform](#) for live updates and closure details.

[← Findings](#)

[Management systems →](#)

ZAF601113078

Non-compliance

Due 2025-10-25

#### Code area

3 Working conditions are safe and hygienic

#### Status

Open\*

#### Workplace requirement

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

#### Time given to resolve

30 days

#### Verification method

Desktop audit

#### Issue title

233 - Hazardous substances (e.g. chemicals and pesticides) are stored unlabelled or labelling is incorrect

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

Local law

#### Description

No safety label for hazardous chemical.

During factory tour, auditor found that there was no safety label for 2 sampled bottles of chemical (such as glues) using in assembling workshop located at 3/F of one 4-storey production building (Building E).

现场走访过程中，审核员发现一栋4层生产楼(E栋)3楼装配车间2瓶抽样的化学品（如胶水）没有安全标识。

Base code

#### Corrective and preventative actions

It is recommended that factory should post safety label on all chemical's containers.

建议企业应对所有使用的化学品进行标识。

#### Local law reference

In accordance with the Regulation For Chemical Usage Safety in Work Place (1997), Article 14, (1) In case of transferring or loading the chemicals purchased into a new container, it is required to mark clearly the descriptions of these chemicals on the newly adopted container. As to those hazardous chemicals that have been transferred or loaded into a new container, it is necessary to stick a safety precautions mark on the new container. (2) The original safety precautions mark upon those containers that contain hazardous chemicals shall not be replaced before these containers have been cleansed.

#### Evidence

[No safety label for hazardous chemical.JPG](#)

\* PDF generated at 20:50 (UTC) on 25 Sept 2025. [View this finding on the Sedex platform](#) for live updates and closure details.

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ZAF601113079

Non-compliance

Due 2025-11-24

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| <b>Code area</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>Status</b>                                 |
| 5 Legal wages are paid                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Open*                                         |
| <b>Workplace requirement</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Time given to resolve</b>                  |
| 5.B Ensure that workers receive the insurances and benefits (including leave entitlements) they are legally or contractually entitled to.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 60 days                                       |
| <b>Issue title</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>Verification method</b>                    |
| 423 - Compulsory insurance (e.g. social insurance, accident insurance etc.) not paid - systemic                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Follow up audit                               |
| <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>Area of non-compliance/non-conformance</b> |
| Insufficient social insurance participated. According to social insurance receipt of August 2025, there were 98 employees in the factory, excluding 10 retired employees, auditor found that there were 12 out of 88 employees had participated in basic endowment insurance; 12 out of 88 employees had participated in employment injury insurance; 12 out of 88 employees had participated in basic medical insurance; 12 out of 88 employees had participated in unemployment insurance; 12 out of 88 employees had participated in maternity insurance. Remark: Based on the management interview and additional records review, there were 98 employees had participated in commercial incident insurance, the valid period is from 4 July 2025 to 3 July 2026. These insurances are not mandated by PRC Social Insurance Law.<br>依据2025年8月社保收据，全厂98名员工中，除去10名退休返聘人员，12人参加了养老保险，12人参加了工伤保险，12人参加了医疗保险，12人参加了失业保险和12人参加了生育保险。<br>备注：工厂为98名员工购买了商业意外保险，有效期是2025年7月4日至2026年7月3日。 | Local law<br>Base code                        |
| <b>Corrective and preventative actions</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                               |
| It is recommended that the factory should ensure all employees participate in social insurance according to the Law.<br>建议企业应按法规要求为员工参加社会保险。                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                               |

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Local law reference

In accordance with Social Insurance Law of the People’s Republic of China (2011), Amendment (2018), Article 10 Employees shall participate in the basic endowment insurance, and the basic endowment insurance premiums shall be jointly paid by employers and employees. Article 23 Employees shall participate in the basic medical insurance for employees, and the basic medical insurance premiums shall be jointly paid by employers and employees in accordance with the relevant provisions of the state. Article 33 Employees shall participate in the employment injury insurance, and the employment injury insurance premiums shall be paid by their employers rather than the employees. Article 44 Employees shall participate in unemployment insurance, and the unemployment insurance premiums shall be jointly paid by employers and employees in accordance with the relevant provisions of the state. Article 53 Employees shall participate in maternity insurance, and the maternity insurance premiums shall be paid by employers rather than employees in accordance with the relevant provisions of the state.

Evidence

[Insufficient social insurance participated.png](#)

\* PDF generated at 20:50 (UTC) on 25 Sept 2025. [View this finding on the Sedex platform](#) for live updates and closure details.

|                                   |        |                |                |
|-----------------------------------|--------|----------------|----------------|
| ZAF601113080                      |        | Non-compliance | Due 2025-11-24 |
| Code area                         | Status |                |                |
| 6 Working hours are not excessive | Open*  |                |                |

| Workplace requirement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Time given to resolve                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| 6.F Ensure that where overtime is used, it is in order to manage changes in demand or in exceptional circumstances and not used to replace regular employment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 60 days                                |
| Issue title                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Verification method                    |
| 480 - Overtime is not used responsibly (i.e. extent, frequency and level of hours worked by individual workers and/or whole workforce are excessive)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Follow up audit                        |
| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Area of non-compliance/non-conformance |
| <p>The employees' monthly overtime in the factory exceeded legal requirement.</p> <p>The factory provided attendance records from August 2024 to July 2025, through factory tour, document review, management &amp; employees' interview, the monthly overtime working hours of workers exceeded 36 hours.</p> <p>The monthly overtime hours of 10 out of 10 randomly selected employees reached 60 hours in December 2024 (randomly selected month);</p> <p>The monthly overtime hours of 10 out of 10 randomly selected employees reached 56 hours in May 2025 (randomly selected month);</p> <p>The monthly overtime hours of 10 out of 10 randomly selected employees ranged from 60-62 hours in July 2025 (current month).</p> <p>Remark: All selected employees daily overtime hours ranged from 0 to 2 hours.</p> | <p>Local law</p> <p>Base code</p>      |
| <p>工厂提供的2024年8月至2025年7月的考勤记录发现： 2024年12月份（随机月份）10名随机抽取的员工中，10名员工的月加班达到60小时； 2025年5月份（随机月份）10名随机抽取的员工中，10名员工的月加班达到56小时； 2025年7月份（当前月份）10名随机抽取的员工中，10名员工的月加班达到60-62小时。</p> <p>备注：所有抽样员工的每天加班达到0-2小时。</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                        |
| Corrective and preventative actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                        |
| <p>It's recommended that factory should adopt practice to ensure overtime hour would not exceed legal requirement.</p> <p>建议工厂应采取措施确保每月的加班时间不超过法规要求。</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                        |
| Local law reference                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                        |
| <p>In accordance with PRC Labor Act (1995) Amendment (2018), Article 41The employing unit may extend working hours due to the requirements of its production or business after consultation with the trade union and laborers, but the extended working hour for a day shall generally not exceed one hour; if such extension is called for due to special reasons, the extended hours shall not exceed three hours a day under the condition that the health of laborers is guaranteed. However, the total extension in month shall not exceed thirty-six hours.</p>                                                                                                                                                                                                                                                    |                                        |
| Evidence                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                        |

[Monthly overtime exceeded legal requirement.png](#)

\* PDF generated at 20:50 (UTC) on 25 Sept 2025. [View this finding on the Sedex platform](#) for live updates and closure details.

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Audit company:  
**Benchmarks Company Limited**

Audit reference:  
**ZAA600157208**

Start Date:  
**2025-09-19**

End Date:  
**2025-09-20**

# Management systems

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



Not addressed



Fundamental improvements required



Some improvements recommended



Robust management systems

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



Not addressed



Fundamental improvements required



Some improvements recommended



Robust management systems

## Guidance

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

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

### Next steps:

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

## Management Systems Assessment (MSA)

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

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

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

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

## Collaborative Action Required

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

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

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

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

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

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

### For Suppliers

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

### For Buyers

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

### For Auditors

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



For more information visit <https://www.sedex.com>