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# Affiliate Audit Company (AAC)

## Terms of Reference

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### Introduction

Sedex has been enabling auditors to develop best-practice processes for conducting social audits for over ten years. This has resulted in SMETA (Sedex Members Ethical Trade Audit), one of the most widely used ethical audit formats in the world. Sedex also operates the Sedex Advance platform, which is used by hundreds of social auditors to store and share ethical audit data on value chains. Sedex Advance is one of the world's leading platforms for managing responsible sourcing.

An **Affiliate Audit Company** is the main organisation that can conduct SMETA and other social audits for Sedex members. An Affiliate Audit Company account enables organisations to use Sedex Advance, add multiple auditors to the account and centrally manage their organisation's audits. Auditor staff can upload audits, review corrective actions and sign off non-compliances. The key user of the account can create subsidiary accounts and assign audits to other audit team members.

To apply for an **Affiliate Audit Company** account, please contact [applyforaac@sedexglobal.com](mailto:applyforaac@sedexglobal.com) and a Sedex team member will assist you.

### Benefits, Criteria and Fees for an Affiliate Audit Company Application

Any auditor that applies for an Affiliate Audit Company (AAC) account needs to demonstrate that the purpose of their activities aligns with Sedex and that social auditing forms an important part of their business. Sedex has developed these Terms of Reference to provide auditor companies an outline of the criteria, benefits and fees for an Affiliate Audit Company account.

#### Benefits:

Joining Sedex as an Affiliate Audit Company provides the following benefits:

- Additional functionality on the Sedex Advance platform
- Visibility on the Sedex Advance platform and Sedex website
- Access to Sedex products and services
- A dedicated Sedex Account Manager
- Receive and be featured in Sedex communications, such as the Sedex newsletter
- Receive invitations to participate in a growing number of Sedex events and workshops.

### Criteria for Application:

An auditor company must meet the following criteria to successfully qualify for an Affiliate Audit Company account. If the audit company is unable to meet these criteria, Sedex reserves the right to terminate the Affiliate Audit Company application at any time, following an investigation.

- Fill out and submit an Affiliate Audit Company Application Form, together with supporting documents and certificates, including business licence, financial report, quality management system files, audit knowledge and skills files, and auditors' training and evaluation programme files, etc. Historic documented records need to be provided to demonstrate that these systems have been in place and are working effectively.
- Demonstrate an active process for ensuring integrity and impartiality in the audit process, such as applying a 'Code of Integrity and Professional Conduct' or equivalent.
- Demonstrate commitment to SMETA guidance documents in social auditing.
- Complete a minimum of 100 social compliance audits in the previous 36-month period of your own company name. These social compliance audits shall cover the SMETA 4 pillars of Labour, Health and Safety, Environment, and Business Ethics. It does not count if it is the audit company's own COC audit or generic audit.
- Provide two reference letters issued by recognised International Brands or Retailers, one of whom should be a Sedex Buyer (A) or Buyer/Supplier (AB) member, who can confirm the audit company's capability. A referee must be responsible for social audit issues for brands or retailers or Sedex Buyer Member companies at head office level, who have had business with applicants for at least one year. The Sedex Buyer (A) or Buyer/Supplier (AB) member requires a Sedex A/AB member account, that has been active for at least one year.
- Commit to participate and pass relevant SMETA auditor training courses.
- Commit to participate in the SMETA audit quality monitor and assessment programme, including audit company and auditor monitoring, SMETA report quality monitoring, appeal case monitoring, audit process monitoring, etc.
- Be able to arrange shadow audits for Sedex staff members if required.
- Pay the annual subscription fee, calculated on company turnover (see below).

### Fees:

The following fees are applicable to Affiliate Audit Companies.

- The **Application Administration Fee** is £1,000. This fee covers:
  1. A £500 (non-refundable) for the application review. This fee is payable at the point of application.
  2. A £500 set up cost. This fee is payable when the application has been approved.

- The **Annual Subscription Fee** is calculated based on company turnover and is payable to Sedex annually.

The turnover bandings for annual subscription fees are:

<b>Annual Sales Turnover</b>	<b>Annual Subscription Fee</b>
More than £250 million	£7,200
£10 million to £250 million	£2,940
£5million to £10 million	£720
Less than £5 million	£360

- **Audit Quality Assessment Fee:**

Sedex reserves the right to conduct office audits of audit companies and on-site audits to tag along auditors if deemed necessary.

*Any audit company that does not comply with the criteria outlined above, rules in the contract, appendix or standards in quality program can be terminated by Sedex and will not receive a refund of their subscription fee. The company will cease to have access to Affiliate Audit Company benefits. Re-applications will be accepted one year after the subscription has subsided.*

All successful applications will be subject to contract with Sedex and must comply with Sedex rules, terms and conditions.

*\*Sedex reserves the right of final interpretation.*

## Affiliate Audit Company – Terms of Reference Appendix

### Rules

The Affiliate Audit Company must comply with the following rules. If the audit company is unable to follow these rules, Sedex reserves the right to terminate the Affiliate Audit Company at any time, following an investigation.

- Do not misrepresent the role of Sedex in the auditing process.
- Ensure your company does not have a threat to the principle of impartiality and ensure there are no perceived risks of it having conflicts of interest.
- Follow the Sedex brand guidelines. Ensure not to infringe the Sedex and SMETA brands or intellectual property.
- Must attend relevant SMETA auditor training courses and submit the auditor training programme to Sedex annually.
- Must complete and upload a minimum of 100 SMETA audits per year onto Sedex Advance, and 20 SMETA audits per year per lead auditor.
- Must accept the assessment of AAC performance biennially.
- Engage and accept the SMETA quality program monitoring and assessment.

### Introduction of SMETA quality program

As the guardians of SMETA, we have a responsibility to monitor the quality of SMETA auditing and reporting and continuously drive its improvement. In line with this, the SMETA audit quality program will focus on the following areas:

- Monitoring audit company performance and implementing auditor training. After the AAC directory is set up, Sedex will assess the performance of audit companies based on specific rules and quality measurement criteria every 2 years. We will also set up an auditors' directory and promote auditors training to align with the requirement of SMETA methodology.
- Monitoring the quality of SMETA reports. Sedex team members will be selecting samples of SMETA reports uploaded by audit companies and check the report for quality. This will involve benchmarking key performance indicators for completeness, consistency, accuracy, and communication. Sedex will hold periodic communication meetings with audit companies about the report defects identified from desktop checks. The audit company will need to identify the root cause, take corrective action and preventive action, provide evidence of improvement, to make sure the similar report defects will not happen again and finally improve the report quality.
- Implementing appeal monitoring. Sedex will act as an independent party to handle any complaints or appeals in the rare circumstance that any appeals or allegations made against audit companies or auditors, or SMETA reports. Audit companies will be given adequate opportunity to discuss these situations if they arise. If necessary, Sedex will investigate/validate the audit to identify appeal cases or potential integrity issues relating to auditing practices and verify the non-compliances from the SMETA audit report vs. the non-compliances from the on-site visit. Audit companies need to ensure they adhere to established policies and business ethics. Sedex will be responsible for making the final decision about the appeal, which may involve terminating the Affiliate Audit Company account and related SMETA auditors.
- Monitoring the audit process. Sedex will be reviewing audit company practices to make sure they have the appropriate management and support systems in place. Sedex will conduct the office audit in the location of audit companies to check whether a good management system



is in place to ensure quality assurance requirements. Sedex will also check whether auditors correctly conduct SMETA audits and will accompany auditors on site to ensure SMETA is being conducted appropriately. This will help ensure SMETA methodology and other guide documents are followed and audit reports appropriately reflect the actual situation at site. Sedex will provide audit companies with assessment reports about this, that may include suggested ways to improve.

This will help audit companies identify areas of improvement, engage audit companies to drive their own quality projects, and provide our audit report readers the level of information needed to make their business decisions.

We welcome your feedback or questions about any of these initiatives. For SMETA quality related issues, please contact the SMETA Quality team at [SMETAquality@sedexglobal.com](mailto:SMETAquality@sedexglobal.com).

For any account enquiries about becoming an Affiliate Audit Company, please contact your Account Manager at [auditing@sedexglobal.com](mailto:auditing@sedexglobal.com).