

Sedex Guidance for Members during the Coronavirus Pandemic

16th March 2020

The recent outbreak of coronavirus (COVID-19) has become an increasingly global challenge, that is impacting business operations, global supply chains and SMETA audit schedules. Sedex recognises that this is a constantly developing situation, and the protection of people working in business and global supply chains is paramount.

The outbreak of the virus and governments restricting movement across countries to contain the virus, will significantly impact global trade. This has caused widespread business and worker rights related concerns, as it may lead to the possibility of thousands of workers being laid off or some business going bankrupt. Sedex believes it is important to protect worker rights, while maintaining business continuity where possible, during and after the coronavirus outbreak.

This guidance seeks to provide buyers, suppliers and audit firms with:

- Guidance on managing labour standard compliance
- Clarity on the SMETA audit process

Both during and after the outbreak. Sedex will review this guidance regularly as the situation develops.

Health and Safety

Sedex recommends all members follow the updates and advice from the World Health Organisation (WHO). The reports are updated regularly and will provide you with the most trustworthy and latest information on the spread and severity of the virus <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/situation-reports/>

Additionally, national public health authorities may publish country-specific guidance. Please check your relevant local health authorities' websites for further information.

Precautionary health and safety measures include:

- Restricting travel to and within high-risk areas
- Restricting attendance to mass gatherings of people, such as conferences and events
- Limiting physical contact, such as handshakes and kissing
- Social distancing - respecting distance between people
- Increasing hygiene.

Low Risk Countries

Sedex recommends continuing business as usual in low risk countries for the time being. SMETA audits schedule should not be affected.

High Risk Countries

Buyers – Sourcing Responsibly

Sedex recommends buyers to consider the impact on workers at every stage of their supplier and contract negotiations, and follow the United Nations' Guiding Principles on Business and Human Rights or the OECD Due Diligence Guidance for Responsible Business Conduct.

Sedex recommends buyers to assess how they can support their less resilient suppliers remain solvent and afloat during the pandemic. This will in turn support compliance on payment of wages to workers and related statutory benefits (e.g. sick pay, social security contributions etc) as well as keeping business relationship.

Sedex strongly recommends buyers to consider:

- Offering better payment terms
- Offering financial facility/low-interest loans
- Allowing delays in delivery dates
- Suspending penalties for not meeting contractual obligations.

Sedex recommends buyers to communicate openly with their suppliers about the support and help they can provide to ensure that suppliers continue payment of wages and other statutory benefits to workers.

Audit Schedule

The Sedex Best Practice Guidance (BPG) recommends the following frequency for audit:

- High risk suppliers: 1 year
- Medium risk suppliers: 2 years
- Low risk suppliers: spot check

Sedex recommends buyers to review their planned audits between now and the European Summer 2020 and focus primarily on their high-risk suppliers.

If high-risk suppliers are operating yet are facing difficulties due to the virus (e.g. not all workers are back at work; delays in getting merchandise or materials, precautionary health measures restricting access to visitors etc), Sedex recommends buyers to consider delaying the audit by up to 3 months.

If buyers decide to go ahead with an audit, we recommend using announced or semi-announced audits and working closely with audit firms and suppliers to ensure the audit takes place.

If suppliers are not operating because of a national lockdown or government-imposed restrictions, buyers need to respect these local recommendations.

Suppliers & Buyers

Being a responsible employer

Sedex recognises that business operations may be affected during and after the coronavirus outbreak. Many governments are introducing economic measures to support local economies. Please check with your local authorities to understand if they may apply to you. Measures may include:

- Tax & tariff relief
- Unemployment packages for laying-off workers
- Government loans.

Sedex reminds businesses that the following workers welfare standards should always be met:

- **Health & Safety** of workers is paramount.
- **Working hours** must not be excessive.
- **Wages** and statutory benefits, such as social security contributions, sick pay and annual leave must be paid.
- **Subcontracting** must be declared and authorised.
- **Responsible recruitment** principles must be followed.

Sedex stresses the need to pay relevant social security contributions so that workers can access statutory benefits, such as sick pay and access to medical care during the pandemic.

Workers who may not be deemed employees and therefore social contributions may not apply (e.g. gig workers) are at a heightened risk of vulnerability if they cannot work and earn an income. In this situation, Sedex strongly recommends developing a compensation package for those workers. This could take the form of the introduction of a minimum payment or health insurance.

Communication to workers about their rights during this period is extremely important. Workers must have access to grievance mechanisms where they can raise their concerns to management without fear of retaliation.

Audits

If a business allows an audit to take place but wishes to limit large gathering because of precautionary health measures, Sedex would like to remind businesses that the only deviation to the current methodology concerns the group interview. See below.

Audit Companies

Sedex recommends audit firms to liaise regularly with businesses requesting audits to understand possible delays and plan for increased capacity at a later stage in the year.

Sedex would like to remind audit firms that remote or virtual audits are not allowed at this stage.

Sedex recommends audit firms to confirm with the sites ahead of the audit date that the sites allow external visitors to audit the facilities. We also recommend considering restricting worker interviews to individual interviews if the site and the audit firm have concerns.

If this is the case, the auditor should follow the number of individual interviews as stated in the BPG and mark this deviation from the standard SMETA methodology in the declaration area with: "COVID-19".

Auditor days	No of workers excluding management	Individual interviews	Group interviews	Total employees interviewed	Worker files/time and wage records checked per month*	Effective time spent on interviews
1	1-100	6 or total workers if <5	1 group of 4	10	10	2.5 hrs
2	101-500	6	4 groups of 5	26	26	6 hrs
3	501-1000	12	6 groups of 5	42	42	8.5 hrs
4	1001-2000	20	8 groups of 4	52	52	12.5 hrs
4	2000+	22	8 groups of 5	62	62	14 hrs

ETI Base code Subclause 6.5

Working hours may exceed 60 hours in any 7-day period only in exceptional circumstances where all of the following are met:

- *this is allowed by national law*
- *this is allowed by a collective agreement freely negotiated with a workers' organisation representing a significant portion of the workforce*
- *appropriate safeguards are taken to protect the workers' health and safety*
- *the employer can demonstrate that exceptional circumstances apply such as unexpected production peaks, accidents or emergencies.*

According to the above criteria, coronavirus is classified as an 'exceptional circumstance'. This is because it could not have been 'predicted or accounted for' and is not a 'regular occurrence'. This would fulfil the below criteria:

- the employer can demonstrate that exceptional circumstances apply such as unexpected production peaks, accidents or emergencies.

However, the following criteria must all still be met in order for working hours to exceed 60 hours in any 7-day period:

- this is allowed by national law
- this is allowed by a collective agreement freely negotiated with a workers' organisation representing a significant portion of the workforce
- appropriate safeguards are taken to protect the workers' health and safety.

In all cases, employers must ensure the use of overtime for their workers is restricted and not excessive, and that rest periods are respected, in order to maintain maximum safeguarding of their staff.

For questions, please contact SMETAudit@sedexglobal.com.