

Sedex Information Exchange Auditor Rules

This document outlines the Auditor Rules for audit firms who are an Affiliate Audit Company (AAC) of Sedex.

Sedex's mission is to help our members trade more responsibly, by providing them with the tools to manage ethical risks in their businesses and their supply chains.

SMETA, our leading social audit methodology, is one of Sedex core assessment tools and is central to the responsible sourcing programs of many businesses. As a result, the quality of our SMETA audits is paramount for us and our members.

Without assurance that SMETA audits are carried out to the best standards, Sedex's mission and the responsible sourcing programmes of our members becomes compromised.

The Sedex Audit Quality Programme (SAQP) is a strategic quality assurance programme aimed at maintaining our SMETA social audits as the leading methodology in the industry by:

- Improving the detection and reporting of onsite issues
- Ensuring consistency of auditing techniques amongst Sedex's pool of AACs.

The terms and conditions for joining the AQP, as an AAC of Sedex, are outlined in this document as the Auditor Rules. These Rules set out the standards and obligations we require AAC to adhere to and form part of their contract with us. As part of the AQP, Sedex also provides audit firms with:

- A SMETA e-Learning training program (up to an agreed number of user licenses)
- Access to Sedex risk assessment tool Radar, to help understand country and site-specific risks
- A performance dashboard, enabling auditors (as part of an AAC) to understand their performance and compare it against their peers.

In addition to the Rules, audit firms must also abide by the conditions set out in the Sedex Terms of Service, and their Auditor Agreement, all of which have been provided to AACs and all of which together with these Rules form Sedex's contract with auditors (the "Contract").

If you have any queries on these Auditor Rules, please contact helpdesk@sedex.com.

Auditor Rules

Term	Meaning
"AAC"	means a Sedex Affiliate Audit Company, which has entered into a Sedex Affiliate Audit Company Account Agreement;
"Auditor"	has the meaning of "Auditor User" in the Terms of Service;
"Auditor Rules"	means these rules, as may be amended or replaced from time to time, and as published on the Sedex website ¹ ;
"AQP Levy"	means the levy charged by Sedex to its AACs, as a contribution to the cost of administering the AQP, on payment terms set out at cl.13 below;
"Data"	has the meaning ascribed to it in the Sedex Terms of Service ;
"Grievance"	means a complaint raised by a Member, an AAC or a third party (including Sedex), in relation to a Member, AAC or Auditor, or in relation to Data, which Sedex sees fit to investigate under its Grievance Process;
"Grievance Process"	means the policy and procedure for administering Grievances, as published on the Sedex website;
"Grievance Team"	means the Sedex department which administers the Grievances Process;
"Data"	has the meaning ascribed to it in the Terms of Service;
"Information Exchange"	means the online depository and retrieval platform operated by Sedex and accessible on the website www.sedex.com , which allows Members, Auditors and Users to upload, display and access Data;
"Management Audit Methodology"	means the methodology published by Sedex from time to time and which governs Sedex approved audit reporting by Auditors and AACs. Management Audits shall be read accordingly;
"Member"	means a member of Sedex;

¹ <https://www.sedex.com/>

<p>"Minimum Criteria"</p>	<p>means the minimum criteria which an Auditor or AAC must fulfil in order to be eligible to become affiliated with Sedex, which Sedex shall publish from time to time as part of its Auditor Quality Programme;</p>
<p>"Shadow Audit"</p>	<p>means the evaluation process to assess the compliance of individual auditors against the SMETA Minimum Requirements by means of shadow audit by an independent audit assessor;</p>
<p>"SMETA Minimum Requirements"</p>	<p>means the minimum requirements for performing a SMETA audit, as published by Sedex, from time to time;</p>
<p>"Sanction"</p>	<p>means a direction from Sedex requiring that an AAC investigate or remediate a breach of Standards, or a decision by Sedex to expel, suspend or impose conditions, as part of the Sedex Grievance Process;</p>
<p>"Sedex"</p>	<p>Sedex Information Exchange Ltd, a company limited by guarantee and registered under number 05015443;</p>
<p>"Sedex Account"</p>	<p>means the private account of an AAC which is part of the Information Exchange where that AAC uploads its Data;</p>
<p>"Service"</p>	<p>means the online storage, management and information exchange service operated by Sedex in relation to Data provided by Users on the Information Exchange, relating to the Users' social compliance issues, including indicatively, labour issues, health and safety policies and records, business ethics and environmental considerations;</p>
<p>"Sites of Employment"</p>	<p>means the physical sites where goods are grown, manufactured or assembled or, in the case of services, physical sites where significant labour is provided;</p>
<p>"Standards"</p>	<p>means the standards and practices as specified in the methodologies of Sedex relating to its social audit tools, as published from time to time, including in particular the SMETA Minimum Requirements for carrying out a Sedex audit and the Management Audit Methodology for managing the audit process; and</p>
<p>"User"</p>	<p>has the meaning set out in the Sedex Standard Terms of Service.</p>

Eligibility

- 1) Any social audit service provider which fulfils the Minimum Criteria of eligibility and accepts to be bound by the Auditor Documentation, and comply with the Minimum Requirements for performing social audits, wishing to use the Information Exchange, is eligible to apply to join Sedex as an AAC.

Disclaimer

- 2) Notwithstanding anything in these Rules, Sedex reserves the right to control the number of its AACs, at any point in time. Sedex reserves full discretion to accept any new audit firm as a Sedex AAC, irrespective of whether or not said audit firm would otherwise be eligible to join Sedex. Sedex will accept no liability for refusing to accept any new AAC members.

Application process

- 3) Any entity wishing to become an AAC may apply online via the Information Exchange. Sedex may request additional information in order to determine whether the applicant fulfils the Minimum Criteria. Sedex will inform the applicant as to its eligibility to join as an AAC, or not, as soon as reasonably practicable and will provide the applicant with the relevant Auditor Documentation upon joining.
- 4) An audit firm will only be permitted to represent themselves as an AAC, and to perform SMETA audits (or related) using Sedex products and services, when such audit firm has paid their Affiliate Audit Company joining fee and upon payment to Sedex of any other fees or charges properly arising, from time to time, including the AQP Levy, as set out at below.
- 5) AACs must abide by the Standards and follow relevant guidance and terms of service for the different Sedex products and services, and always apply the SMETA Minimum Requirements methodology, when carrying out audits in their capacity as AAC, at all times. In particular, but notwithstanding the foregoing, every AAC must take part in the AQP while affiliated with Sedex at any time.

Representatives

- 6) Each AAC will nominate a representative who will act as the contact point for Sedex and will update the details of such representative as necessary.

Auditor Rules

- 7) Each AAC will act in accordance with these Auditor Rules and the Auditor Documentation. In particular, as part of the Sedex Audit Quality Programme, AACs are required to comply with the following:
 - (i) Be a fully approved member of APSCA² (audit firms with a provisional or pending application with APSCA cannot become AACs until their application has been finally approved by APSCA);

² <https://www.theapsca.org/>

- (ii) Implement and comply with the Management Audit Methodology at all times while being affiliated with Sedex as an AAC;
- (iii) Only carry out audits at least to the standard set out in the SMETA Minimum Requirements for performing audits;
- (iv) Carry out regular self-assessments to ensure compliance with these Auditor Rules and as part of the Sedex Audit Quality Programme. In particular, each AAC agrees to collaborate with Sedex in investigating Grievances or issues arising in relation to audit reports, Data or otherwise in connection with the Auditor Documentation; and
- (v) Ensure all Users of an AAC have suitable training and have the skills and experience required to perform audits in compliance with the Management Audit Methodology and SMETA Minimum Requirements. In particular, every lead Auditor must be, at a minimum, a Registered Auditor with APSCA and undertake relevant training as Sedex makes available on its e-Learning platform, within 6 months of the Auditor or AAC joining Sedex or Sedex releasing content.

Use of Data

- 8) Notwithstanding anything set out in the Sedex Standard Terms of Service, Sedex shall have the right to access Data which a relevant User has uploaded onto the Platform, to monitor standards in relation to its Audit Quality Programme.
- 9) Sedex shall also have the right to access Data as part of any investigation in relation to complaints raised or the Sedex Grievance process. Auditors and AACs agree to cooperate with Sedex as far as practicable in relation to complaints or challenges Sedex receives in relation to Data uploaded by a User.

Shadow audits and compliance framework

- 10) Sedex may undertake, or procure that another organisation undertakes on its behalf, shadow and management audits of Auditors or AACs, to monitor compliance with these Auditor Rules.
- 11) Sedex may, from time to time, implement quality assurance measures such as verifying the quality of audit reports against the SMETA Minimum Requirements and Management Audit Methodology, verify what training a User has performed (pursuant to cl.6(v) above), or otherwise analyse Data to report against key performance measures. Auditors and AACs will be expected to collaborate with Sedex in relation to its Audit Quality Program in support of the Sedex Objects, and in line with Sedex policies and procedures which form part of the AQP.
- 12) Sedex reserves the right to report on levels of compliance with the key performance measures, by Auditors and AACs, on the Information Exchange as part of its Service. Such information would be visible to Members on the Information Exchange, unless a relevant Auditor or AAC has opted-out of allowing Sedex to publish its performance measures in a transparent manner. Sedex will begin to implement such reporting in the second half of the first AQP cycle, from 1st July 2021.

Sedex logos and brand guidelines

- 13) Each AAC agrees to adhere to Sedex Brand Guidelines at all times. AACs may only use the Sedex logo with the prior agreement of Sedex, and only for the stated purpose at the time of such agreement. Failure to do so will be considered a material breach of these Rules.

AAC fees

- 14) The AAC will pay a joining fee on joining Sedex, together with an annual renewal fee in the first and subsequent years of affiliation with Sedex. The annual renewal fee, or mechanism for determining it, will be communicated to all AACs online in writing (which may be by email), at least 30 days before coming into effect. Annual renewal fees shall be payable in advance, each year, on or before the anniversary of the date on which the audit firm became an AAC.
- 15) AACs shall also pay a fee to be included in a Sedex audit quality assessment yearly cycle (the AQP Levy). The AQP Levy is payable quarterly in advance.
- 16) To the extent VAT or sales tax properly arise in relation to any fees payable by the AAC as aforesaid, such VAT or sales tax shall be payable to Sedex by the AAC accordingly. The annual renewal fee for AACs will be Sedex communicated to all AACs electronically at least 30 days before coming into effect.
- 17) Where Sedex terminates the affiliation of an audit firm, as an AAC of Sedex, for any reason, then Sedex will refund the pro-rata amount of the AQP Levy that represents the unexpired portion of the relevant quarter. The annual renewal fees are not refundable beyond any "cooling off" period set out in the Audit Account Agreement. No part of the AQP Levy or renewal fees are refundable if the audit firm terminates its affiliation as an AAC of Sedex, for any reason.
- 18) A number of user licenses for the e-Learning modules which Sedex makes available to the AACs for any given yearly AQP cycle, are included in the joining or annual renewal fees. Where an AAC requires further user licenses during the course of a relevant yearly AQP cycle, a further e-Learning license fee may apply and will be payable up front before such licenses are issued.

Expulsion or Retirement

- 19) If any AAC acts inconsistently with the Standards or is alleged to have breached these Rules for any reason, Sedex may invoke the Sedex Grievance Process. Each AAC undertakes to collaborate with Sedex and contribute to any investigation carried out by the Grievance Team. Sedex will work with an AAC under investigation to seek to remediate any performance issues and will communicate with the AAC to agree a performance improvement plan before taking a decision to sanction, unless there are business critical or risk to worker life issues at stake.

- 20) In the event that Sedex, having carried out a Grievance investigation in relation to an AAC, is satisfied that some or all of the Grievance should be upheld the Sedex Grievance Team will have the right to (always subject to the Grievance Process terms of application):
- (i) require that the AAC implement a plan of remediation and report back on a regular basis to the Grievance Team, until such Grievance investigation can be fully closed off;
 - (ii) impose conditions on the continuing relationship of the AAC (including, without limitation, demanding that a staff or contractor of the AAC cease to perform SMETA audits);
 - (iii) monitor the conduct of the AAC, against the Sedex Standards, for such period of time as the Grievance Team sees fit; or
 - (iv) remove the audit firm as an AAC of Sedex and remove the AAC from the list of AACs which Sedex publishes on its website; (together the "Sanctions").
- 21) In the event Sedex investigates a complaint in relation to an AAC under the Grievance Process, Sedex reserves the right to inform Members who have visibility of SMETA audits conducted by an AAC on the Information Exchange, after a reasonable period of time has elapsed to allow for the AAC to remediate (as set out in the Grievance Process). Sedex also reserves the right to indicate on its website that Sedex has invoked the Grievance Process, or is considering suspending an AAC, after such reasonable remediation process has elapsed.
- 22) The Sedex Grievance Process includes a right of appeal (as published in the Grievance Process).
- 23) Where Sedex's decision to Sanction an AAC results in the termination of that audit firm's status as a Sedex AAC, the Grievance Team may make recommendations to Sedex to reinstate them after a suitable period of time and upon the AAC further demonstrating that it has addressed those quality assurance matters of concern, comprehensively. A recommendation for re-instatement may include a recommendation that re-instatement be conditional upon the expelled AAC giving such undertakings as, in the opinion of the Grievance Team, are necessary or desirable to ensure and/or demonstrate future compliance with and commitment to the Auditor Rules.
- 24) Where Sedex's decision to Sanction an AAC results in suspension or termination of that audit firm's status as a Sedex AAC, such decision may only become effective after a period of up to 30 days (as set out in the Grievance Process), to allow for any outstanding or unfinished follow-up audits and to close any outstanding remediation issues with linked members.
- 25) For the avoidance of doubt, any Member, other AAC, Sedex or a third party may invoke the Grievance Process against the AAC (provided the complaint is not frivolous or vexatious, in which case Sedex shall have the right to disregard it).

Termination

- 26) In accordance with the Auditor Documentation, an AAC may at any time

withdraw from Sedex by giving at least 30 days' notice in writing to Sedex, and subject to cl. 12 and 15 above.

- 27) Any AAC ceasing to be a member of Sedex for any reason shall remain liable to pay all outstanding annual renewal fees, AQP Levy amounts and any other sums due to Sedex at the date of its ceasing to be an AAC.

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