SMETA Corrective Action Plan Report (CAPR)

Version 6.0

Audit Details			
Sedex Company Reference: *(only available on Sedex System)*	ZC: 403494403	Sedex Site Reference: *(only available on Sedex System)*	ZS: 403577360
Business name (Company name):	Nil		
Site name:	NINGBO YINZHOU YICHUAN ARTWARE CO., LTD.		
Site address: *(Please include full address)*	INDUSTRY ZONE, WUXIANG TOWN, YINZHOU, NINGBO, ZHEJIANG, CHINA.	Country:	China
Site contact and job title:	Ge Chuanlong/ General manager		
Site phone:	86-13586627182	Site e–mail:	Andy@nbyichuan.com

SMETA Audit Type:	☒ Labour Standards	☒ Health & Safety	☒ Environment	☐ Business Ethics
Date of Audit:	March 28, 2018			

Audit Company Name & Logo:	**Report Owner (payee):**
ESTS	NINGBO YINZHOU YICHUAN ARTWARE CO., LTD.

Audit Conducted By					
Commercial	☒	Purchaser	☐	Retailer	☐
Brand owner	☐	NGO	☐	Trade Union	☐
Multi–stakeholder	☐	Combined Audit (select all that apply)			

Audit Content:

(1) A SMETA audit was conducted which included some or all of Labour Standards, Health & Safety, Environment and Business Ethics. The SMETA Best Practice Version 6.0 April 2017 was applied. 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.

(2) The audit scope was against the following reference documents

2-Pillar SMETA Audit

- ETI Base Code
- SMETA Additions
  - Universal rights covering UNGP
  - Management systems and code implementation,
  - Responsible Recruitment
  - Entitlement to Work & Immigration,
  - Sub-Contracting and Home working,

4-Pillar SMETA

- 2-Pillar requirements plus
- Additional Pillar assessment of Environment
- Additional Pillar assessment of Business Ethics
- The Customer's Supplier Code (Appendix 1)

(3) Where appropriate non-compliances were raised against the ETI code / SMETA Additions & local law and recorded as non compliances on both the audit report, CAPR and on Sedex.

(4) Any Non-Compliance against customer code shall not be uploaded to Sedex. However, in the CAPR these 'Variances in compliance between ETI code / SMETA Additions/ local law and customer code' shall be noted in the observations section of the CAPR.

SMETA Declaration

I declare that the audit underpinning the following report was conducted in accordance with SMETA Best Practice Guidance and SMETA Measurement Criteria.

(1) Where appropriate non-compliances were raised against the ETI code / SMETA Additions & local law and recorded as non-compliances on both the audit report, CAPR and on Sedex.

(2) Any Non-Compliance against customer code alone shall not be uploaded to Sedex. However, in the CAPR these 'Variances in compliance between ETI code / SMETA Additions/ local law and customer code' shall be noted in the observations section of the CAPR.

Any exceptions to this must be recorded here (e.g. different sample size): Nil

Auditor Team (s) (please list all including all interviewers):
Lead auditor: Shaun Cai
Team auditor: Nil
Interviewers: Shaun Cai

Report writer: Shaun Cai
Report reviewer: Rita Huang

Date of declaration: April 3, 2018

Note: The focus of this ethical audit is on the ETI Base Code and local law. The additional elements will not be audited in such depth or scope, but the audit process will still highlight any specific issues.

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.

Audit Parameters

Audit Parameters			
A: Time in and time out	Day 1 Time in: 8:30 Day 1 Time out: 17:00	Day 1 Time in: Nil Day 1 Time out: Nil	Day 3 Time in: Nil Day 3 Time out: Nil
B: Number of Auditor Days Used:	1 auditor used 1 on-site MD.		
C: Audit type:	☒ Full Initial ☐ Periodic ☐ Full Follow–up ☐ Partial Follow–Up ☐ Partial Other – Define		
D: Was the audit announced?	☒ Announced ☐ Semi – announced: Window detail: weeks ☐ Unannounced		
E: Was the Sedex SAQ available for review?	☒ Yes ☐ No If No, why not:		
F: Any conflicting information SAQ/Pre-Audit Info to Audit findings?	☐ Yes ☒ No If **Yes**, please capture detail in appropriate audit by clause		
G: Who signed and agreed CAPR *(Name and job title)*	Ge Chuanlong/ General manager		
H: Is further information available *(if Y please contact audit company for details)*	☐ Yes ☒ No		
I: Previous audit date:	Nil		
J: Previous audit type:	NA		
K: Was any previous audit reviewed during this audit	☐ Yes ☐ No ☒ N/A		

Audit attendance	**Management**	**Worker Representatives**	
	Senior management	Worker Committee representatives	Union representatives
A: Present at the opening meeting?	☒ Yes ☐ No	☒ Yes ☐ No	☐ Yes ☒ No
B: Present at the audit?	☒ Yes ☐ No	☒ Yes ☐ No	☐ Yes ☒ No

C: Present at the closing meeting?	☒ Yes ☐ No	☒ Yes ☐ No	☐ Yes ☒ No
D: If Worker Representatives were not present please explain reasons why *(only complete if no worker reps present)*	NA		
E: If Union Representatives were not present please explain reasons why: *(only complete if no union reps present)*	NA No Trade Union in the factory.		

Guidance:

The Corrective Action Plan Report 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.

N.B. observations and good practice examples should be pointed out at the closing meeting as well as discussing non-compliances and corrective actions.

To ensure that good practice examples are highlighted to the supplier and to give a more 'balanced' audit a section to record these has been provided on the CAPR document (see following pages) which will remain with the supplier. They will be further confirmed on receipt of the audit report.

Root cause (see column 4)

Note: it is not mandatory to complete this column at this time.

Root cause refers to the specific procedure or lack of procedure which caused the issue to arise. Before a corrective action can sustainably rectify the situation it is important to find out the real cause of the non-compliance and whether a system change is necessary to ensure the issue will not arise again in the future.

See SMETA BPG Chapter 7 'Audit Execution' for more explanation of "root cause".

Next Steps:

1. The site shall request, via Sedex, that the audit body upload the audit report, non-compliances, observations and good examples. If you have not already received instructions on how to do this then please visit the web site www.sedexglobal.com.
2. Sites shall action its non-compliances and document its progress via Sedex.
3. Once the site has effectively progressed through its actions then it shall request via Sedex that the audit body verify its actions. Please visit www.sedexglobal.com web site for information on how to do this.
4. The audit body shall verify corrective actions taken by the site by either a "Desk-Top" review process via Sedex or by Follow-up Audit (see point 5).
5. Some non-compliances that cannot be closed off by "Desk-Top" review may need to be closed off via a "1 Day 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 non-compliance. Any follow-up audit must take place within twelve months of the initial audit and the information from the initial 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).

Corrective Action Plan

Corrective Action Plan – non-compliances									
Non-Compliance Number *The reference number of the non-compliance from the Audit Report, for example, Discrimination No.7*	**New or Carried Over** *Is this a new non-compliance identified at the follow-up or one carried over (C) that is still outstanding*	**Details of Non-Compliance** *Details of Non-Compliance*	**Root cause** *(completed by the site)*	**Preventative and Corrective Actions** *Details of actions to be taken to clear non-compliance, and the system change to prevent re-occurrence (agreed between site and auditor)*	***Timescale*** *(Immediate, 30, 60, 90,180,365)*	**Verification Method** *Desktop / Follow-Up [D/F]*	**Agreed by Management and Name of Responsible Person:** *Note if management agree to the non-compliance, and document name of responsible person*	**Verification Evidence and Comments** *Details on corrective action evidence*	**Status** *Open/Closed or comment*
NC 1 Management System and Code Implementation		The factory did not effectively communicate the ETI Base Code to the employees. It violated Management Systems and Code Implementation 0.B.4. Based on site observation and worker interviews, the factory did not effectively communicate the ETI Base Code to the employees.	☒ Training ☐ Systems ☐ Costs ☐ lack of workers ☐ Other – please give details:	It is recommended that the factory should communicate the ETI Base Code to all employees and post the ETI Base Code in the factory.	90 days	Desktop	Agreed by Ge Chuanlong/ General manager		
NC 2 Wages and Benefits		The number of workers provided with social insurance was insufficient. It violated Labor Law of the People's Republic of	☒ Training ☐ Systems ☐ Costs ☐ lack of workers ☐ Other – please give details:	It is recommended that the factory should provide 5 categories of social insurance for all employees required by law.	60 days	Follow up	Agreed by Ge Chuanlong/ General manager		

		China, Article 72, Article 73 and ETI Base Code 5.1. There were 30 employees in the factory. Based on social insurance records review, the factory only provided 8 employees with social insurance, including pension insurance, unemployment insurance, medical insurance, accident insurance and maternity insurance. As a result, the factory did not provide 5 categories of social insurance for all employees required by law. (Remark: The factory had purchased accident injury insurance for other 22 employees.)							
NC 3 Working Hours		The monthly overtime hours of workers exceeded legal requirement. It violated regulations on Labor Law of the People's Republic of China, Article 41 and ETI Base Code 6.1. The factory provided attendance record from	☐ Training ☒ Systems ☐ Costs ☐ lack of workers ☐ Other – please give details:	It is recommended that the factory should make sure the overtime hours of all workers are in accordance with legal requirement.	60 days	Follow up	Agreed by Ge Chuanlong/ General manager		

		March 2017 to audit day for review. Based on the record, the monthly overtime hours of 100% sample workers were 40~56 hours from April 2017 to May 2017 and from July 2017 to December 2017. The maximum was 56 hours in December 2017. The monthly overtime hours exceeded 36 hours.							

Corrective Action Plan – Observations

Observation Number *The reference number of the observation from the Audit Report, for example, Discrimination No.7*	**New or Carried Over** *Is this a new observation identified at the follow-up or one carried over (C) that is still outstanding*	**Details of Observation** *Details of Observation*	**Root cause** *(completed by the site)*	**Any improvement actions discussed** *(Not uploaded on to SEDEX)*
Nil				

Good examples

Good example Number *The reference number of the non-compliance from the Audit Report, for example,*	**Details of good example noted**	**Any relevant Evidence and Comments**

Discrimination No.7		
Nil		

Confirmation

Please sign this document confirming that the above findings have been discussed with and understood by you: (site management) *If actual signatures are not possible in electronic versions, please state the name of the signatory in applicable boxes, as indicating the signature.*		
A: Site Representative Signature:	Ge Chuanlong	Title General manager Date March 28, 2018
B: Auditor Signature:	Shaun Cai	Title Lead Auditor Date March 28, 2018
C: Please indicate below if you, the site management, dispute any of the findings. No need to complete D-E, if no disputes.		
D:*I dispute the following numbered non-compliances:* Nil		
E: Signed: *(If <u>any</u> entry in box D, please complete a signature on this line)*	NA	Title NA Date NA
F: Any other site Comments: Auditor Comments: The audited factory occupied the 2nd, 3rd and 4th floors on the east side of one 4-storey L-shaped building (total 2,517 square metres per storey) as production workshop, office and warehouse. The remaining areas were used by NINGBO RIMAO MACHINE MANUFACTURING CO., LTD (Independent business license for review), NINGBO YINZHOU YONGDUN FENGDONG MANUFACTURING CO., LTD. (Independent business license for review), Ningbo Anan electronic technology CO., LTD. (Independent business license for review) and Ningbo Yinzhou Huaguang metal products factory (Independent business license for review). Based on site observation, the evacuation stairs of both sides of the same production building were unblocked and the emergency light and exit sign were effective in the same production building. According to management and employee interview, no worker mixed.		

Guidance on Root Cause

Explanation of the Root Cause Column

If a non-compliance is to be rectified by a corrective action which will also prevent the non-compliance re-occurring, it is necessary to consider whether a system change is required.

Understanding the root cause of the non-compliance is essential if a site is to prevent the issue re-occurring.

The root cause refers to the specific activity/ procedure or lack of activity /procedure which caused the non-compliance to arise. Before a corrective action can rectify the situation it is important to find out the real cause of the non-compliance and whether a system change is necessary to ensure the issue will not arise again in the future.

Since this is a new addition, it is not a mandatory requirement to complete this column at this time. We hope to encourage auditors and sites to think about Root Causes and where they are able to agree, this column may be used to describe their discussion.

Some examples of finding a "root cause"

Example 1
Where excessive hours have been noted the real reason for these needs to be understood, whether due to production planning, bottle necks in the operation, insufficient training of operators, delays in receiving trims, etc.

Example 2
A non-compliance may be found where workers are not using PPE that has been provided to them. This could be the result of insufficient training for workers to understand the need for its use; a lack of follow-up by supervisors aligned to a proper set of factory rules or the fact that workers feel their productivity (and thus potential earnings) is affected by use of items such as metal gloves.

Example 3
A site uses fines to control unacceptable behaviour of workers.

International standards (and often local laws) may require that workers should not be fined for disciplinary reasons.

It may be difficult to stop fines immediately as the site rules may have been in place for some time, but to prevent the non-compliance re- occurring it will be necessary to make a system change.

The symptom is fines, but the root cause is a management system which may break the law. To prevent the problem re-occurring it will be necessary to make a system change for example the site could consider a system which rewards for good behaviour

Only by understanding the underlying cause can effective corrective actions be taken to ensure continuous compliance.

The site is encouraged to complete this section so as to indicate their understanding of the issues raised and the actions to be taken.

For more information visit: Sedexglobal.com

Your feedback on your experience of the SMETA audit you have observed is extremely valuable. It will help to make improvements to future versions.

You can leave feedback by following the appropriate link to our questionnaire:

Click here for Buyer (A) & Buyer/Supplier (A/B) members:

http://www.surveymonkey.com/s.aspx?sm=riPsbE0PQ52ehCo3lnq5lw_3d_3d

Click here for Supplier (B) members:

http://www.surveymonkey.com/s.aspx?sm=d3vYsCe48fre69DRglY_2brg_3d_3d