ERSA 3.0

Updates to LRQA's Responsible Sourcing Assessment (ERSA)

We are excited to introduce ERSA 3.0, available for all ERSA clients on October 16, 2023. ERSA 3.0 enhances our renowned responsible sourcing assessment, used by clients worldwide to assess factory performance and inherent ESG risk exposure.

ERSA 3.0 updates include:

Upgraded assessment standard
The new ERSA standard includes a more rigorous set of criteria to enhance the assessment process and improve site diagnostics.

Additional data collection points
ERSA 3.0 includes new data points to align with the latest ESG trends and surfacing risks.

Add-on Foreign Migrant Worker Assessment (FMA) upgrade
ERSA 3.0 includes an upgraded Foreign Migrant Worker Assessment add-on with an updated checklist refined specifically for this topic. We have also updated the staff day allocation mechanism for this add-on and the operational process. The updated FMW assessment integrates seamlessly with the ERSA assessment report. ERSA 3.0's FMA assessment promotes more transparency on this issue and allows for more in-depth reporting to better manage and mitigate risks related to foreign migrant workers' rights.

Sleek new report format
Our new report format reflects our brand transition to LRQA and our new identity as a global leader in business assurance. The new format enhances the report's visual identity for clearer reporting and comprehensive assessments.

Staff day allocation
ERSA 3.0 includes an updated staff day allocation mechanism which will allow for more staff days based on the site size. This updated mechanism ensures auditors have sufficient time onsite and better aligns with industry best practice.

Streamlined process for worker sentiment surveys
ERSA 3.0 updates the worker sentiment survey process and streamlines delivery through EiQ for better data quality and security management.

ERSA continues to be the industry's most comprehensive assessment framework, aligning with LRQA's supply chain due diligence platform EiQ to support program effectiveness. ERSA 3.0 introduces this series of enhancements to further reflect LRQA's philosophy of transparency and continuous improvement. Read more on the updates below.

Enhanced ERSA Standard

ERSA 3.0 is reflective of a new, more rigorous standard to enhance your site assessments. ERSA is designed to gather more than audit finding data, but also quantitative metrics on key supplier profile and compliance performance. The data-driven insights derived from ERSA 3.0 allow clients to better understand their ESG risks.

Topic	Key changes
Hours of work and wages & benefits	More detailed standard related to social insurance and extreme levels of excessive hours
Forced labor and migrant workers	More detailed standard on recruitment and repatriation fees
Health and safety	Enhanced standard on occupational hazards, machine safety and employee training
Environment	Alignment with ERSA Environmental Assessment with more comprehensive coverage on critical areas
Management systems	Strengthened requirements related to supplier management incl. upstream suppliers and service providers

New data points

ERSA 3.0 also includes new and updated data points related to key ESG topics and issues. Climate change and diversity have increasingly been highlighted in the media and in new laws requiring companies to strengthen their emissions reporting. Our updated standard expands our data collection to ensure more robust data and more quality, transparent reporting for companies. New data points include:

Languages spoken by workers and management

We have expanded our assessment by adding data points assessing languages spoken on site by employees and management. This update will streamline the coordination process for translator and auditor arrangement based on language requirements. The update will also provide new data points to uncover potential gaps and risks in managing foreign and domestic workers.

Diversity / recruitment fees / employee information

ERSA 3.0 now includes data points related to diversity, recruitment fees, and other employee details. These data points include the lowest hourly wages by gender, the average and maximum amount of recruitment fees paid, and the breakdown of workers by recruitment method.

GHG emissions

ERSA 3.0 also includes carbon data collection, which targets a supply chain's Scope 1 and Scope 2 emissions and enable clients to better manage and report their Scope 3 emissions. It covers 23 energy types and includes standardized datasets of emissions factors and calculation functions to enable consistent and comparable reporting across supply chains.

Add-on Foreign Migrant Worker Assessment

Foreign migrant workers are often more susceptible to human rights violations and forced labor entrapment. Forced labor continues to plague supply chains worldwide and more laws are being implemented aimed at mitigating the issue. Our Foreign Migrant Worker Assessment add-on has been updated for ERSA 3.0 with a revised checklist and seamless integration into the ERSA report. This upgrade will provide further visibility into issues foreign migrant workers face in your supply chain and how to properly manage these risks to prevent future exposure.

This round of update aims to streamline the operational process and delivery. The updates to the FMW Assessment include:

A new checklist:
supplementing the ERSA standard, covering the following areas:

→ Management systems
→ Recruitment and deployment
→ Employment
→ Return or onward migration

ERSA report integration:
the new FMW Assessment report integrates seamlessly into the Labor pillar of the ERSA assessment report.

Additional staff days:
Additional staff days may be allocated to ensure auditors have sufficient time to cover the additional requirements related to foreign migrant workers. The revised staff day calculation mechanism will be based on:

→ The number of foreign migrant workers

→ The number of nationalities of foreign migrant workers

→ If there are issues identified in the initial / annual audit (for follow-up audits)

The FMW assessment is designed as an add-on to LRQA's ERSA suite. It is not intended to be a standalone tool for evaluating risks of foreign migrant workers. This is because many aspects of foreign migrant workers are already covered in the ERSA standard already. Quantitative data points are also covered in the ERSA standard, e.g. recruitment fees, breakdown of foreign migrant workers by country / region of origin.

Report format

ERSA 3.0's format has been updated to align with our LRQA branding.

ERSA Responsible Sourcing Assessment Report (Onsite)

ERSA Responsible Sourcing

Excellent Apparel Co., Ltd.

Service provider: ELEVATE Global Limited.
Report no.: EVT-CN-CE-123456
Assessment type: Initial
Schedule type: Announced
Assessors: David Lin
Assessment date: 2020/10/19

LRQA

Report summary

Site information

Country/Region	Site name	Sector (primary)	Total employees	Avg. units produced / week
China	Excellent Apparel Co., Ltd.	Apparel, footwear and textile	247	40,000

Audit summary

Grade ERSA Responsible Sourcing **D**

Score 33 / 100
- 91-100
- 71-90
- 51-70
- 0-50

Findings
Zero Tolerance	1
Critical	1
Major	2
Moderate	5
Minor	1

Total findings **10**

Key workforce statistics
Domestic migrant workers	232
Foreign migrant workers	0
Language spoken by workers	Mandarin
Juvenile workers	0
Use of labor agent	Yes

Performance details

Risk score: ● Extreme risk ● High risk ● Medium risk ● Low risk

Pillars	No. of findings	Sub total	Risk management (Audit score)	Risk management (**Worker sentiment)	Risk exposure (***EiQ supply chain geography risk ratings)
Labor	1 1 1	3	● 6.40	● 9.22	● 3.23
Health & Safety	1 3	4	● 6.00	● 9.75	● 1.98
Environment		0	● 10.00	● 9.54	● 4.20
Business Ethics	1	1	● 2.49	N/A	● 2.78
Management Systems		0	● 10.00	● 7.59	● 3.21
Add-on Foreign Migrant Workers	2	2	● 6.00	N/A	● 3.21
Overall	1 1 2 5 1	10	● Red (D)	● 8.96	● High

Benchmarking

***Grade distribution (China)
19% D | 15% C | 51% B | 16% A

Site risk matrix
EiQ Supply Chain Geography Risk Rating vs Risk Management (Audit score)

- Worker Sentiment is based on anonymous worker survey conducted as part of the assessment. It provides a snapshot of worker's feedback regarding assessed dimensions with the purpose to help various levels of stakeholders effectively identify high priority improvement areas and key topics for additional support. If it is shown as N/A, it means a worker sentiment survey was not conducted.
- EiQ Supply Chain Geography Risk Rating provides insight into the inherent risk in the supply chain. It is based on risks associated with countries / regions based on public domain data and aggregated LRQA audit data generated from 30,000+ days per annum on site in supply chains in over 100+ countries and regions.
- Benchmarking data is based on aggregated standard ERSA audits conducted globally. This does not include data from critical issue assessments, equivalence or SAQ services.

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Audit findings

Labor

No. of Findings	Audit Score	Worker Sentiment	EiQ Supply Chain Geography Risk Rating
1 1 2 1	● 6.40	● 9.22	● 3.23

Hiring, disciplinary & termination

Auditor's note
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Audit findings

Young worker & child labor

Auditor's note
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Audit findings

Harassment & abuse

Auditor's note
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Audit findings

Worker sentiment data

Workers are free from verbal abuse e.g. yelling or rude languages
100%
♀ 100% ♂ 100%

Breakdown on frequency of verbal abuse experienced or observed
- Never 100%
- Rarely 0%
- Sometimes 0%
- Quite often 0%

Workers are free from physical and verbal sexual harassment
100%
♀ 100% ♂ 100%

Breakdown on type of sexual harassment experienced or observed
- Never 100%
- Both 0%
- Physical contact 0%
- Sexual remarks 0%

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Employee information

Total number of employees:	200
Production workers:	180
Management staffs (Non-prod):	20
Male:	90
Female:	110
Local workers:	70
Domestic migrant workers:	75
Foreign migrant workers:	35
Foreign workers with permanent residency or those do not require a visa sponsor for a work permit:	16
Worker turnover rate (Annual):	5%

Gender
Total employees 200
Male 45%
Female 55%

Worker age data
Personnel files reviewed:	15
Minimum legal work age:	16
Youngest worker found:	19
Juvenile workers:	0

Local / domestic migrant workers / foreign migrant workers
Total production workers 180
- 39% Local workers
- 42% Domestic migrant workers
- 10% Foreign migrant workers
- 9% Foreign workers with permanent residency or those do not require a visa sponsor for a work permit

Breakdown of domestic migrant workers

Province / Region	No. of workers	Province / Region	No. of workers
Guangxi	25 (14%)	Anhui	25 (14%)
Guizhou	10 (6%)	Gansu	10 (6%)
Hubei	30 (17%)	Yunnan	30 (17%)
Jiangsu	10 (6%)	Shandong	10 (6%)

Breakdown of workers by country / region of origin

Nationality	No. of workers	Recruited locally	Avg. recruitment fees	Max. recruitment fees	Currency
Vietnam	25 (14%)	25 (14%)	310	380	USD
Indonesia	10 (6%)	5 (3%)	267	320	USD

Breakdown of languages spoken by workers

Language	No. of workers	Spoken by management
Mandarin	145 (80%)	Yes
Vietnam	25 (14%)	No
Indonesia	10 (6%)	No

Labor agents

Labor agents used: Yes

Breakdown of labor agents

Types of agents	No. of agents in this role	No. of workers
Labor recruiter	3	25 (14%)
Labor employer	1	10 (6%)
Labor provider	1	30 (17%)

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Staff day allocation

ERSA 3.0 have revised the staff day allocation model to better align with industry practices.

This is to help ensure auditors have adequate duration onsite to properly evaluate compliance and gather meaningful findings and data points. For large sites with 1000 or more workers, the onsite time is now 3 staff days. Whereas for small sites with between 50 and 500 workers, it is 2 staff days onsite.

Initial / annual audit

# Staff days	Site size	# Worker interviews	# Worker survey (WSS)	Worker files	Total records	Most recent month	Peak month	Non-peak month
1	1 - 49	5	10	5	15	5	5	5
2	50 - 499	10	30	10	25	10	10	5
3	500 - 999	15	50	15	40	15	15	10
4	1000 - 1999	25	70	25	60	25	25	10
5	2000 +	40	90	40	80	35	35	10

Follow-up audit

# Staff days	Site size	# Worker interviews	# Worker survey (WSS)	Worker files	Total records	Most recent month	Peak month	Non-peak month
1	1 - 1999	5	10	5	15	5	5	5
2	2000 +	10	30	10	25	10	10	5

Worker sentiment survey process

LRQA is the first in the industry that successfully integrated an anonymous worker survey into the assessment process in scale. The survey provides supplementary data points to audits by highlighting risks and high priority issues from workers' point of view.

ERSA 3.0 includes an updated process for survey deployment and delivery:

Coordination
Survey promotion instruction and materials (poster & card) will be shared to supplier together with the audit notification email at once.

Remote deployment
Supplier hosts the posters in common areas showing survey information with QR code and link. Survey cards can also be printed and shared to workers.

Onsite preview
Auditor previews the preliminary result before audit to spot focusing areas. Survey cards will also be distributed to workers interviewed for further feedbacks.

Post-audit feedback
Survey keeps open for 1 day after audit to collect additional responses from workers, as to scan any hidden messgae and aim to ensure optimal sample size reached.

Integrated report
Survey result will be integrated to audit report as valuable supplementary insights. Optional standalone survey report can be shared for more details.

Updates from the previous process include:

→ **Survey duration:** the survey will now start during the coordination process and be extended for another day after the audit, to not take away from core audit activities.

→ **Survey delivery:** delivery now solely occurs via our in-house system (EiQ Assess) for better data quality and security management.

→ **Sample size/staff-day allocation:** we have adjusted the sample size with the new staff day allocation mechanism to ensure sufficient time is allotted to conduct the survey.

Questions

Please contact your LRQA representative with any questions about these updates.