

Fair Labor Association: Independent External Factory Assessment

Assessment Date :

22 Aug 2022



Factory Information

FLA Affiliates	Lululemon Athletica Inc.
Country	Cambodia
Number of Workers	1117

Understanding this Report

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

FLA Code Element

Number of Violations

FLA Code Element	Number of Violations
Compensation (C)	4
Employment Relationship (ER)	5
Harassment Or Abuse (H/A)	1
Health, Safety And Environment (HSE)	9
Hours Of Work (HOW)	1

Assessment Information

Assessor	Openview - Vietnam
Assessment Date	22 Aug 2022

Assessment Purpose	
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ASSESSMENT RESULTS

Compensation (C)

Benchmark ID	C.21.2
Benchmark Details	All benefits shall be calculated correctly
Finding Details	The factory provides monthly production bonuses for all workers based on the production output. However, there is no bonus guidance in the local language in place for review. The production bonus policy in the Chinese language is provided for review, but it is also not a guide in detail. In practice, sample selected workers are deducted their production bonus, but there is a reason or records kept in place to clarify the deduction. The production bonus is currently provided to each worker based on their team leader and supervisor's decision.
Recommendation for Immediate Action	1. Develop the policy and procedure on wage and benefit of production bonus in local language (Cambodian). 2. Provide the training and communicate the production bonus policy and procedure for all relevant staffs and workers. 3. Pay the bonus based on the established policy to workers.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	C.1.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning the payment of compensation to workers.

<p>Finding Details</p>	<p>According to the policy and procedure on wage and benefits issued on Jan 12, 2022, the factory provides the skillful bonus (A: USD 12, B: USD 6) for all workers, and JA (USD 25), JB (USD 18), JC (USD 5) for sewing workers. However, there is no guidance in place on how skillful bonuses (A, B) and JA, JB, JC bonuses are evaluated and provided. These bonuses are currently paid based on the team leader and supervisor's decision and therefore, they are not consistently implemented. For example, one sewing worker who is able to use four types of machines with the same skill evaluation results in Jan, Feb, Apr, May, and Jun 2022, but the worker was provided JB (USD 18) in Jan and Jun 2022, and only JC (USD 5) in Feb, Apr and May 2022.</p>
<p>Recommendation for Immediate Action</p>	<p>1. Develop the policy and procedure on wage and benefit of all kinds of bonuses provided for workers. 2. Provide the training and communicate the bonus policy and procedure for all relevant staffs and workers. 3. Pay allowance based on the established policy to workers.</p>
<p>Compliance Classifications</p>	<p>Immediate Action Required</p>
<p>Local Law</p>	
<p>Benchmark ID</p>	<p>C.2</p>
<p>Benchmark Details</p>	<p>Employers shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher, for regular working hours (not including overtime). Workers should also be informed about the legal minimum wage.</p>
<p>Finding Details</p>	<p>There are 17 onsite outsourced security guards working in the factory, 12 outsourced security guards working on the dayshift (six female and six male), and five male outsourced security guards working on the night shift. The normal working hours of these security guards are 12 hours per day from 6:00am to 6:00pm. 14 out of 17 security guards are paid USD 180 per month and one out of 17 security guards is paid equal to USD 190 per month while the legal minimum wage applied to the apparel industry is USD 194 per month since January 1, 2022. No overtime compensation, transportation, housing allowance, attendance bonus, NSSF and annual leaves are provided for them as per legal requirements.</p>

Recommendation for Immediate Action	1. Ensure the legal minimum wages for all workers working in the factory including outsourced workers. 2. Assign the relevant staff in charge of onsite outsourced worker monitoring.
Compliance Classifications	Immediate Action Required
Local Law	Cambodia Labor Law, Prakas No. 264/21, Article 1.
Benchmark ID	C.21.1
Benchmark Details	Employers shall provide all legally mandated benefits, including holidays, leave, bonuses, severance payments and 13th month payments to all eligible workers within legally defined time periods.
Finding Details	Workers who quit their jobs without notice in advance are not paid within 48 hours from the termination date as per legal requirements. The factory pays for these terminated workers on the 15th of each calendar month regardless of their termination date.
Recommendation for Immediate Action	Ensure wage and indemnity of any kind should be paid within 48 hours following the date of termination of work as per law.
Compliance Classifications	Immediate Action Required
Local Law	Cambodia Labor Law, Article 116

Employment Relationship (ER)

Benchmark ID	ER.17.5
Benchmark Details	Employers shall have in place procedures to track the number, types, and timing and resolution of grievances, and to communicate the resolution of grievances to the workforce.

Finding Details	The grievance policy and procedure developed and updated on January 12, 2022 indicates that channels for grievance are: face-to-face meeting (HR, Trade Unions, worker representatives and factory management representatives), Email, SMS, suggestion boxes and phone call. However, there is no written procedure to track the number, types, timing and results of grievances to communicate the results to the workforce. All interviewed workers do not know the hotline, SMS or emails, and where suggestion boxes, or who trade union and worker representatives are. The workers normally come to team leaders for complaints or give suggestions directly.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	
Benchmark ID	ER.1.2
Benchmark Details	Employers shall assign responsibility for the administration of human resources to a clearly defined and adequately qualified staff member or staff members and ensure workers at all levels receive communication and training about existing policies and procedures or any revisions.
Finding Details	1. The procedures on personnel development and broadening skill issued on Jan 12, 2022 indicated that the factory would provide training courses to develop and broaden skills and knowledge of workers, based on the work or factory demand. However, there is no specific training course provided to workers as per the established policy and procedure. 2. Factory has not officially assigned qualified staff responsible for social compliance issues at the workplace. No social compliance organization chart is established. There is only a social compliance team and compliance organization in charge of the head office in Taiwan provided for review. 3. The factory does not provide training or communication on related policies and procedures for 17 onsite outsourced security guards.
Recommendation for Immediate Action	

Compliance Classifications	Sustainable Improvement Required
Local Law	
Benchmark ID	ER.5.1
Benchmark Details	Employers shall ensure that all supervisors are trained in national laws, workplace regulations, and the FLA Code, workplace grievance systems, and the appropriate practices to ensure compliance.
Finding Details	The factory does not provide specific training to relevant supervisors on FLA's Code elements and Employment functions on recruitment, hiring, personnel development, compensation, hours of work, industrial relations, workplace conduct and discipline, grievance systems, environmental protection, health and safety, termination and retrenchment.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	
Benchmark ID	ER.1.1
Benchmark Details	Employers shall have in place written policies and practices and maintain proper and accurate records governing all aspects of employment from recruitment, hiring and probation, including written terms and conditions of employment, job descriptions, administration of compensation, and working hours for all positions, through to retrenchment and termination processes.
Finding Details	The resignation and termination policies and procedures issued on Jan 12, 2022 do not include the different types of termination, such as termination due to work-related death or incapacity and absence from work without notice in advance, and relevant required notice periods from both sites for each type of termination.

Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	
Benchmark ID	ER.18.1
Benchmark Details	Employers shall have written disciplinary rules, procedures and practices that embody a system of progressive discipline (e.g. a system of maintaining discipline through the application of escalating disciplinary action moving from verbal warnings to written warnings to suspension and finally to termination).
Finding Details	<p>1. The labor disciplinary procedures established on January 12, 2022 are not fully followed. The factory does not arrange labor disciplinary meeting with the participation of trade union and worker representatives. If a worker breaks the company rules, HR staff in charge of labor discipline issue the labor disciplinary decision with the signature of the worker, witness person and HR staff only. The verbal labor discipline is issued in written form instead of verbally as defined in the policy. Only warning letters are kept in the disciplinary records, the evidence of the labor violations is not kept as required. 2. One out of five sample selected workers was disciplined with reason indicated in the warning letter as “production mistake” which was not regulated in the factory disciplinary regulations. There was no record of what kind of production mistake of worker kept in place for review. 3. The labor disciplinary procedures issued on Jan 12, 2022 do not cover the timescales for each disciplinary measure and not included a statement for the prohibition of monetary penalties being used as a form of labor discipline. In addition, the disciplinary policy indicates that if workers reject the security check, a verbal warning should be applied. Pat-down is one of the security check measures applied in the factory.</p>
Recommendation for Immediate Action	Conduct labor disciplinary following the local law and keep all records of labor disciplinary in files.
Compliance Classifications	Immediate Action Required

Local Law	NIL
Harassment Or Abuse (H/A)	
Benchmark ID	H/A.10.1.2
Benchmark Details	Body searches and physical pat downs shall only be undertaken when there is a specific, legitimate reason to do so and upon consent of workers, unless a state official with the power to do so (e.g. police officer) has ordered the search.
Finding Details	Pat downs are conducted routinely by security guards (by gender) at exit doors of the production buildings when workers go to the toilet, for lunch and leave the production buildings. There is no pat downs guidance in place to communicate and train these security guards for the practices.
Recommendation for Immediate Action	1. Body searches and physical pat-downs shall only be undertaken when there is a specific, legitimate reason to do so and upon the consent of workers, unless a state official with the power to do so (e.g., police officer) has ordered the search. 2. Develop the policy and procedure on security practices and body searches. 3. Communicate and provide training for relevant staff.
Compliance Classifications	Immediate Action Required
Local Law	NIL
Health, Safety And Environment (HSE)	
Benchmark ID	HSE.9.1
Benchmark Details	All chemicals and hazardous substances shall be properly labeled and stored in secure and ventilated areas and disposed of in a safe and legal manner, in accordance with applicable laws and international standards.

Finding Details	There are no gas detectors and fire equipment (fire detectors, fire extinguishers) equipped for the LPG storage area in the foreigners' dormitory.
Recommendation for Immediate Action	Equip fire detectors and fire extinguishers for the LPG room in the foreigners' dormitory.
Compliance Classifications	Immediate Action Required
Local Law	Cambodia Labour Law 1997, Article 229-230.
Benchmark ID	HSE.13
Benchmark Details	All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and to prevent or minimize hazardous conditions to workers in the facility.
Finding Details	1. There is no PPE (earmuff) provided for workers at the wastewater treatment where the noise tested by the auditor during the assessment is 92.5dB (Exceeds the legal limit of 75 dB). 2. The battery charging stations of electric forklifts are placed in the loading and unloading area which is close to the flammable materials and working areas and could cause risks of fire and explosion.
Recommendation for Immediate Action	1. Provide appropriate PPE for workers operating the wastewater treatment station. 2. Designate the battery charging area away from the flammable substances and working area.
Compliance Classifications	Immediate Action Required
Local Law	1. Cambodia Labour Law 1997, Article 229-230 & Law of Prakas 206/17 Art 10. 2. Cambodia Labour Law 1997, Article 229-230.
Benchmark ID	HSE.14.1
Benchmark Details	All production machinery, equipment and tools shall be properly guarded and regularly maintained.

Finding Details	There is no safety cover for the pulley of one out of three grinding machines in the maintenance room of the factory.
Recommendation for Immediate Action	Provide cover for the pulley grinding machines for safety operation.
Compliance Classifications	Immediate Action Required
Local Law	Cambodia Law of Prakas 206/17, Article 9.
Benchmark ID	HSE.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning health, safety, and the environment.
Finding Details	The factory does not have the annual air emission test and air emission permit for the generator to provide for review during the assessment.
Recommendation for Immediate Action	Conduct the annual air emission test and obtain the air emission permit for the generator.
Compliance Classifications	Immediate Action Required
Local Law	Cambodia law Sub decree 42/00.
Benchmark ID	HSE.14.3
Benchmark Details	Employers shall ensure safety instructions are either displayed or posted near all machinery or are readily accessible to the workers in language(s) spoken by workers.

Finding Details	1. There are no SOPs (safety operation procedure) posted at the workplace for most of the machinery in the facility such as fabric spreading machines, automatic cutting machines, table cutting machines, air compressor systems, and wastewater treatment systems etc., Currently, the facility only provides warning signs and identification labels for function buttons in the local language for worker references. 2. There are no warning signs posted for falling objects at the finished goods warehouse and material warehouse, and no warning sign to alert for the hot surface of cookers at the foreigner dormitory.
Recommendation for Immediate Action	1. Post SOP (safety operation procedure) at the workplace for the required machines. 2. Provide warning signs of falling objects at the warehouses and warning signs of the hot surfaces for cookers for safety.
Compliance Classifications	Immediate Action Required
Local Law	Cambodia Law of Prakas 206/17, Article 8
Benchmark ID	HSE.29
Benchmark Details	Employers shall provide all necessary protection for workers when working at heights, confined spaces, and other high-risk areas.
Finding Details	The facility controls access for confined spaces inside the central house of the wastewater treatment area by a locked door. However, there is no control access for other confined spaces such as in-out wastewater tanks. There is no rescue equipment for incident responses available for workers working in confined spaces.
Recommendation for Immediate Action	Provide control access measures for all confined spaces and rescue equipment for incident response for workers working in confined spaces.
Compliance Classifications	Immediate Action Required
Local Law	Cambodia Labour Law Prakas 139/2003.
Benchmark ID	HSE.30.2.6

Benchmark Details	The health, safety, and environmental policies shall contain the framework for a comprehensive health, safety, and environmental management system including a HS&E risk assessment within which the following are clear and regularly tested and reviewed:protections to workers who allege health, safety, and environmental violations;
Finding Details	The OHS (Occupational Health and Safety) risk assessment was last updated on December 15, 2021. However, it does not cover the safety hazards of the battery charging stations for electric forklifts, fire pump stations, hazardous and non-hazardous waste storage areas, chemical warehouses, wastewater treatment stations, dormitory areas, and LPG storage areas of foreign dormitories.
Recommendation for Immediate Action	Conduct OHS risk assessment for the battery charging stations for electric forklifts, fire pump stations, hazardous and non-hazardous waste storage areas, chemical warehouses, wastewater treatment stations, dormitory, and LPG storage areas of foreign dormitories.
Compliance Classifications	Immediate Action Required
Local Law	Cambodia Law of Prakas 176/13, Article 5.
Benchmark ID	HSE.8
Benchmark Details	Workers shall be provided with training on the use and maintenance of personal protective equipment. Training shall be upon hire with periodic refresher training offered to all workers. Management will ensure use of PPE as necessary.
Finding Details	1. Two finished goods warehouse workers do not use protective shoes when working with manual cargo lifts at the loading area; Three workers operating grinding machines do not use personal protective equipment (goggles, aprons, and helmets). 2. There is only one set of PPE (Personal protective equipment) including one goggle, one apron, and one helmet instead of 03 sets of PPE provided for 03 workers working at the mechanic area.
Recommendation for Immediate Action	Provide appropriate PPE and ensure workers use PPE properly during working time.

Compliance Classifications	Immediate Action Required
Local Law	Cambodia Labour Law 1997, Article 229-230 & Law of Prakas 206/17 Art 10.
Benchmark ID	HSE.17.1
Benchmark Details	Workstations, including seating and standing arrangements and reach required to obtain tools, shall be designed and set-up in such a manner as to minimize bodily strains.
Finding Details	There are no backrest chairs for at least six observed sewing workers (including two pregnant workers and four normal workers) to protect workers from the impact of long time standing-work. The facility's representative explains that they have provided back-rest chairs for around 80% of workers and plan to finish in the coming time.
Recommendation for Immediate Action	Provide backrest chairs for sewing workers sufficiently.
Compliance Classifications	Immediate Action Required
Local Law	Cambodia Labour Law Prakas 053/00.
Hours Of Work (HOW)	
Benchmark ID	HOW.1.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning hours of work, public holidays and leave.

<p>Finding Details</p>	<p>Workers work daily overtime more than the legal requirement (within two hours per day) as detailed below: + 13 out of 28 sample selected workers from the cutting, sewing, inspection and packing section worked overtime up to four hours a day from one to five days in December 2021. + 15 out of 28 sample selected workers from the cutting, sewing, inspection and packing section worked overtime up to four hours a day from one to ten days in May 2022. + Eight out of 28 sample selected workers from the cutting, sewing, inspection and packing section worked overtime up to four hours a day from one to four days in July 2022. Note: Attendance records from July 2021 to August 19, 2022 are provided for review.</p>
<p>Recommendation for Immediate Action</p>	<p>1. Limit overtime following the local law. 2. Develop an effective monitoring system to deal with overtime. 3. Review the production capacity and planning. 4. Ensure all workers work overtime within the legal requirement. 5. Follow the working hour policy and procedure on overtime management.</p>
<p>Compliance Classifications</p>	<p>Immediate Action Required</p>
<p>Local Law</p>	<p>Cambodia Labor Law, Article 137-140, and AC AWARD 10/04</p>

