



COMPANIES: League Collegiate Wear, Inc. (L2 Brands)

COUNTRY: Cambodia

ASSESSMENT DATE: 10/02/18

ASSESSOR: Openview

PRODUCTS: Apparel

NUMBER OF WORKERS: 720

FLA Comments

Company Exit Language: Between the time of the SCI Assessment and the publication of this report, L2 Brands has ended their relationship with this supplier for sourcing reasons, including longer lead times than could meet their business needs for the couple of styles produced.

Prior to exiting the factory, L2 Brands was a small percentage of the factory's overall production; therefore, there was a low risk of retrenchment. The factory attempted remediation for Health & Safety issues, however L2 Brands had their own follow-up investigation conducted six months after the SCI Assessment that reflected the issues of non-transparency, two sets of records, and annual leave payment incorrectly calculation persisted. L2 Brands made additional attempts to follow up with the factory but did not receive a response. Therefore, there will be no future updates from L2 Brands.

Summary of Code Violations

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.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

Findings and Action Plans

FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. Based on the employment contracts review, it is noted that some contents on the labor contracts are not in compliance with the local law as below:

a) Article 5 states that "workers have to cooperate to work overtime when it is needed", which is against the local laws stating that overtime must be voluntary;

b) Article 10 states that "when workers resign from work before the end of the contracts, the factory will not pay any compensation", while it should be clear that workers still should be paid for their wages and severance allowance might not be paid.

In addition, some probationary employment contracts are not filled with the important information such as contract duration, wages, benefits etc. There is only the thumbprint of the workers, and the factory managers or factory representatives sometimes do not sign on the labor contracts. [ER.10, F.8]

2. The factory explains that they do not have young workers and HR staff would check very carefully during the hiring process. However, assessors found that one worker was historical young worker when she was recruited. The worker was born in September 2000 and recruited in August 2018. There was missing monitor to ensure she was entitled special protection as being required by law at that time. [ER.14]

Local Law or Code Requirement

Cambodian Labor Law, Articles 65, 73 and 177. FLA Workplace Code (Employment Relationship Benchmarks ER.10 and ER.14; Forced Labor Benchmark F.8)

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The factory keeps two sets of time and payment records. One set with overtime hours permitted by labor law and the other set with excessive overtime and payment. Assessors have found the inconsistencies and the factory then provides the correct set of records for review. Based on cross check of the time and payment records, it is confirmed that the factory has paid workers correctly based on their hours worked. [ER.23.4, C.5]

2. The compensation for the unused annual leave is incorrectly calculated. The factory calculates to pay unused annual leave days for the workers based on the basic wage (KHR 660,000/ USD 165 for probationary workers and KHR 680,000/ USD 170 for regular workers) instead

of using workers' average wage of the past 12 months which is higher. [C.1]

3. The factory only allows workers to use annual leave and legally special leave with 1.5 days per month. In case workers apply for more than 1.5 days per month, the exceeding days will be deducted as unpaid leave. [C.1]

Local Law or Code Requirement

Cambodian Labor Law, Articles 31, 41, 112 and Prakas #269/01 of the Ministry of Labor; Cambodian Labor Law, Article 171 and Prakas #267/01 of the Ministry of Labor; Cambodian Labor Law, Articles 166, 167, 170 and Notice #017/00 of the Ministry of Labor. FLA Workplace Code (Employment Relationship Benchmark ER.23; Compensation Benchmarks C.1 and C.5)

Recommendations for Immediate Action

1. Maintain all payment records completely and accurately in one set.
2. Pay unused annual leave correctly for workers.
3. Do not limit the usage of workers' entitled annual leave. Ensure workers take annual leave on their own will.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Maintain all payment records completely and accurately in one set.
2. Pay unused annual leave correctly for workers.
3. Do not limit the usage of workers' entitled annual leave. Ensure workers take annual leave on their own will.

Planned completion date

01/03/19

Company Action Plan Update

1. The factory management will maintain all payment records completely and accurately in one set only.
2. To compliant with labor law all employees have entitled annual leave 1.5days per month, and every workers will get paid for unused annual leave 1.5days per month without limitation on usage.

A follow-up audit is scheduled for April 30, 2019 to ensure above is true and that management is complying with remediation efforts.

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The factory keeps two sets of time and payment records. One set with overtime hours permitted by labor law and the other set with excessive overtime and payment. Assessors have found the inconsistencies and the factory then provides the correct set of records for review. [ER.23.4]
2. Based on the review of time records for the period from September 2017 to August 2018 and relevant worker interview, it is noted that about 30%-40% of workers worked overtime more than the legal limit of two hours per day and reached a maximum of four hours per day in most of months in the reviewed period. [HOW.1.1]
3. Based on the review of time records for the period from September 2017 to August 2018 and relevant worker and management interview, it is noted that about 30%-40% of workers worked more than 60 hour per week from two to three weeks a month, with a maximum of 69 hours per week in August 2018. [ER.14, HOW.1.1]

Local Law or Code Requirement

Cambodia Law, AC Award 10/ 04. FLA Workplace Code (Employment Relationship Benchmarks ER.14 and ER.23; Hours of Work Benchmark HOW.1)

Recommendations for Immediate Action

1. Maintain time records completely and accurately in one set.
2. Control workers' overtime hours not exceed the legal limit of two hours per day.
3. Ensure that workers' working hours do not exceed 60 hours per week.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Maintain time records completely and accurately in one set.
2. Control workers' overtime hours not exceed the legal limit of two hours per day.
3. Ensure that workers' working hours do not exceed 60 hours per week.

Planned completion date

01/03/19

Company Action Plan Update

The factory management had determined to maintain time records of working completely and accurately in one set. And the Production Manager will properly make adjustment on production planning to better control OT hours would not exceed the legal limit of two hours per day and not exceed 60 hours per week.

A follow-up audit is scheduled for April 30, 2019 to ensure above is true and that factory management is complying with remediation.

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. Based on the document review, relevant worker and management interview, it is noted that the factory deducts union fee of workers on monthly wages but there is no record to prove that is agreed by workers. [ER.24, C.11]
2. There is no CBA (Collective Bargaining Agreement) established to implement at the factory. [ER.16.2]
3. The factory does not keep any records for workers' grievance system and explains that there was no grievance case in the last 12 months. However, it is revealed during the interview that there were grievance cases about health and safety issues, but the factory did not keep records. [ER.2]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2, ER.16.2 and ER.24; Compensation Benchmark C.11)

Recommendations for Immediate Action

1. Deduct union due with written consent of workers.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Deduct union due with written consent of workers.

Planned completion date

04/03/19

Company Action Plan Update

The factory management had issued a notification to union that it is required to get written consent of workers regarding monthly deduction of union membership fees. If there is no written consent of workers, the factory would not deduct union fee from workers's wage.

(See attached notification with signature of union member.)

FINDING NO.5

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. Based on the document review, relevant worker and management interview, it is noted that the records of disciplinary actions are not maintained completely in the personal files of workers. Only some minutes of labor discipline are provided, and there is no other meeting with union, workers, labor discipline decision are provided for review. [ER.2.1, ER.27.2.2]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2 and ER.27)

FINDING NO.6

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. None of the fire-fighting team members are provided with PPE (boots, hats, gloves etc.) as being required by local law. [HSE.1, HSE.6]
2. The fire risk assessment is not conducted at the factory to identify the risks and take corrective and preventive actions. [HSE.5]
3. The firefighting equipment is not functional as below details:
Three out of seven tested emergency lights in the main production building, one out of three tested emergency lights at the material warehouse on the second floor of the material warehouse building, and one out of four tested fire alarms at the main production building do not work during onsite testing. [HSE.1, HSE.5]
4. At least two out of six fire extinguishers on the first floor of the material warehouse building and two fire hydrants on the second floor of finished goods warehouse building are obstructed by goods, carton boxes and other equipment. [HSE.1, HSE.5]
5. The fire safety inspection is conducted but not in an effective way. One out of three fire extinguishers at the packing area in the main production building are not in function as the pressure is too low. [HSE.6]
6. At least 5% of irons are not equipped with the plates or trays to use at the pressing tables for safety reasons. [HSE.6]

Local Law or Code Requirement

Cambodia Labor Law, Article 230. FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.5, and HSE.6)

Recommendations for Immediate Action

1. Ensure all firefighting equipment is regularly checked and in good working condition.
2. Provide PPE (boots, hats, gloves etc.) to the fire-fighting team members as being required by local law.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Ensure all firefighting equipment is regularly checked and in good working condition.
2. Provide PPE (boots, hats, gloves etc.) to the fire-fighting team members as being required by local law.

Planned completion date

01/03/19

Company Action Plan Update

- 1.The management had assigned one elctrician responsible for checking all firefighting equipment every month and ADMIN /Compliance manager is responsible for double-checking those equipment every month to make sure all equipment are maintained properly and available for use in case of emergency.
- 2.The management had acquired PPE for fire-fighting team to comply with local law.
(See attached file for review.)

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Based on the document review and relevant worker interview, it is noted that the factory has not established the lockout and tag-out procedure. The factory does not identify the specific machines and equipment that shall be applied lockout-tagout, and there are no

sufficient lockout-tagout devices equipped to use. [HSE.31]

2. The factory has conducted the H&S risk assessment. However, the risk assessment only covers the production areas and does not cover other areas such as maintenance room, generator area, boiler and air compressor room, parking and canteen. [HSE.1]
3. There is no traffic rule or guidance for forklifts and vehicles established and implemented at the factory. [HSE.14]
4. There are two labor accident cases that workers got injuries during operating the cutting machines found during the record review, but there's no investigation to find out the root causes and take the preventive actions accordingly as being required by law. [HSE.1]
5. At least 10% of sewing workers do not wear masks during working. It is noted that the factory has provided the masks to workers once every two weeks and masks are changed when needed. [HSE.1, HSE.8]
6. The factory has conducted the simple risk assessment on ergonomic and it is not detailed and does not cover all risks to propose the remediation actions. The factory does not provide the chairs with backrest for sewing workers and anti-fatigue mats are not fully provided to workers who handle prolonged standing works (QC, pressing operators). Three out of twenty-five interviewed workers reported that the mats are not comfortable to use but there is no investigation from the factory to improve. [HSE.17]
7. Approximately 10% of workers do not use the needle protection guards on the sewing machines properly at the sewing lines. [HSE.14]
8. The roof does not fully cover the generator, and rainwater flows into the generator and it is not clean and unsafe for working. [HSE.19]

Local Law or Code Requirement

Cambodia Labor Law, Articles 229 and 230; Law on Administration of Factory and Handicraft, Article 29; Prakas No. 307 on Conditions of Occupational Hygiene and Safety in Garment and Shoe Factories, Article 3. FLA Workplace Code Health, Safety & Environment Benchmarks HSE.1, HSE.8, HSE.14, HSE.17, HSE.19 and HSE.31)

Recommendations for Immediate Action

1. Monitor workers to use needle guards properly.
2. Require workers to use the appropriate PPE during work.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Monitor workers to use needle guards properly.
2. Require workers to use the appropriate PPE during work.

Planned completion date

01/03/19

Company Action Plan Update

The factory had provided all workers training of using needle guard and PPE to prevent any accident and will also continue to provide OHS education related to using needle guard and PPE during orientation training to new workers.
(See attached training records for review)

FINDING NO.8

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory has not conducted investigation for asbestos element in the cover parts of steam boiler pipes being used at the factory. [HSE.10]
2. The factory has contracted with an authority to conduct the working environment testing. However, the testing report is incomplete. It does not display any environment samples and indicators as being required by law. [HSE.13]
3. The factory has not conducted environment risk assessment and there is no environment objective established. [HSE.1, HSE.13]
4. Some used chemicals cans, drums, and bottles are found in the factory. However, the factory does not have a chemical and hazardous waste storage area as being required by local law. [HSE.10]

Local Law or Code Requirement

Cambodia Labor Law, Article 230; Preah Reach Kram (Royal Decree) on "Environmental Protection and Natural Resource Management" issued on December 24, 1996 by the Royal Government of Cambodia, Chapter 3. FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.10 and HSE.13)

FINDING NO.9

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Responsibility & Accountability (Macro)

Finding Explanation

1. Based on the document review, relevant worker and management interview, it is noted that there are three personnel in HR and Admin section mainly responsible for all relevant Employment Functions. However, except Health & Safety and Environmental Protection, there are no official assignment Letter or Decision to assign qualified staffs to be responsible for monitoring, communication, training with all relevant Employment Functions. As a result of that, the Responsibility and Accountability are not clearly defined for all Employment Functions at the factory. [ER.1.2]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.1)

FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Policies & Procedures (Macro)

Finding Explanation

1. The factory has not developed policies and procedures on the following Employment Functions: Personnel Development; Workplace Conduct & Discipline; Termination & Retrenchment; and Industrial Relations and Freedom of Association, therefore, the factory does not communicate these policies and procedures to the general workforce. [ER.1, ER.27, ER.29, ER.30, ER.32]
2. The Health & Safety procedures and Environmental Protection procedures are incomplete with details listed below:
 - a) The factory lacks procedures to inform third party contractors about the factory's Code of Conduct and safety requirements, including security/ building repair contractors and waste management personnel;
 - b) There are no emergency procedures/ plan to respond such as: chemical spill accident, food poisonous, natural disaster, terrorist threat or public unrest established at site and factory does not have a procedure on health and safety regular inspection including guidance on protection of special categories of workers like workers with disability and pregnant workers.
 - c) The factory does not have procedure with steps to ensure selecting and purchasing appropriate PPE for workers.
 - d) There is no procedure established to guide workers to use the nursing room. [ER.31.1]
3. The Compensation procedures are incomplete because it does not include the procedure to guide workers to apply for annual leave in case they want to take more than 1.5 days of annual leave per month, leading to the case that workers are deducted their applied annual leave as unpaid leave.
4. The procedure to evaluate for the probation time and review of the contract is too simple since there is no criteria and no step to review and evaluate.
5. There is no regulation to review the established policies and procedures at the factory to ensure that all policies and procedures are updated and in line with the local law and FLA Code and Benchmarks. [ER.1.3]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.27, ER.29, ER.30, ER.31 and ER.32)

FINDING NO.11

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Training (Macro)

Finding Explanation

1. The orientation training and on-going training for workers are quite simple and missing below Employment Functions: Recruitment, Hiring & Personnel Development; Compensation; Workplace Conduct & Discipline; Retrenchment; Industrial Relations and Freedom of Association. Based on review of the training records, it is noted that orientation training is only conducted for around one hour, which is not enough to cover all relevant Employment Functions. There's no training records such as training photo, training materials, training evaluation except the attendee list kept for review. Worker interview indicated that they have very little understanding on this. [ER.1, ER.15]
2. The specific training for managers and supervisors is missing across the following Employment Functions: Personnel Development; Compensation; Termination & Retrenchment; Industrial Relations; Workplace Conduct & Discipline, and Grievance System. In addition, the factory only provides simple training regarding Environmental Protection and Health & Safety for supervisors and managerial staffs, with the signatures of nineteen supervisors on training records dated on March 23, 2018. However, there is no specific training materials

and training plan established. Relevant staff interviewed showed that they do not understand most of the relevant policies and procedure of the factory, and they just know very basic one and some of them confirm that they did not join the training before. [ER.17]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.15 and ER.17)

FINDING NO.12

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

1. The worker integration component is missing across all Employment Functions including Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Industrial Relations; Grievance System; Workplace Conduct & Discipline; Termination & Retrenchment, Environmental Protection, and Health & Safety. This indicates that the factory has not established procedures to request and/ or receive workers' input/ feedback regarding the creation, implementation, and updating of its policies and procedures. Workers are neither systematically integrated nor consulted in decision-making processes. [ER.16, ER.25, ER.27, ER.28.2, ER.30.2, ER.32, C.17]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.16, ER.25, ER.27, ER.28.2, ER.30.2, and ER.32; Compensation Benchmark C.17)

FINDING NO.13

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

1. The factory has not conducted the regular review for all relevant policies and procedures. The factory provides the management review report, but it is mostly for quality system. There is missing procedure establishment or review and relevant training to ensure that policies and procedures are updated according to local laws and FLA Workplace Code and Benchmarks across all Employment Functions including Recruitment, Hiring & Personnel Development; Compensation; Hours of Work; Industrial Relations; Grievance System; Workplace Conduct & Discipline; Termination & Retrenchment, Environmental Protection, and Health & Safety. [ER.1, ER.29.1.1, ER.30.2, ER.31.2]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29.1.1, ER.30.2, and ER.31.2)