

Compliance Assessment Report

Te Fu Umbrella Co., Ltd

06/10/2015

(dd/mm/yyyy)

Assessment date: 18/08/2015 *(dd/mm/yyyy)*

Cycle: 1

Report ID: 10685

Country: Cambodia

ISIC: C (Manufacturing) - 14 (Manufacture of wearing apparel)

Supplier Name: Te Fu Umbrella Co., Ltd
Supplier Address: National Road #4, Toek Village, Puek Commune, Ang Snoul District, Kandal, Cambodia

Previous assessment(s): (dd/mm/yyyy)

Total number of assessment reports available (including this one):

1

This compliance report includes information about this factory's compliance performance at the time of the Better Work assessment. The key compliance results are explained in more detail on the following pages.

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Table of Contents

Factory Visit Information

General information on the factory, on its key strengths and on the assessment process itself.

Overview of Non-Compliance

Overview of the areas of non-compliance found in the factory during the assessment visit.

Detailed Non-Compliance Findings

The following section presents the non-compliance findings recorded by the Enterprise Advisors during the assessment visit.

Additional Information

The following section presents additional comments provided by the Enterprise Advisor.

Better Work Clusters and Compliance Points

Full list of clusters and compliance points assessed during a Better Work compliance assessment visit.

Factory Visit Information

The following section includes general information on the factory, on its key strengths, and on the assessment process itself.

Key Strengths and Process Integrity

Number of assessment visits prior to STAR Cycle 1: (Ref 1)

2

Good Practices/Progress Made or Key strengths: (Ref 2)

- Management provides a \$3 transportation allowance in addition to \$7 when workers come to work fully in a month;
- Management provides a \$5 bonus per month when workers can work overtime of two hours per day fully in a month;
- Management provides motivation incentive to workers ranging from \$5-\$10 per month; and
- Management provides triple the basic wage to workers paid on minimum wage and double the actual piece rate earned in addition to a daily basic wage to piece rate workers, plus 2,000 Riels for meal allowance when they worked on public holidays.

How many person days were spent on the assessment visit? (Ref 3)

4

Provide the titles of the management staff interviewed. (Ref 4)

1- Mr. Hsu Ching Hua, General Manager, H/P: (+855) 097 27 69 808, Email: hsuchinghua1970@gmail.com

2- Ms. Nuon Chantha, Admin Officer, H/P: 090 865 938/012 717 398

Address: National Road 4, Toek Village, Puek Commune, Ang Snoul, Kandal (located at Km #27, on the left hand side from Chom Chao roundabout).

Briefly describe the interviews with workers/ union leaders/ shop stewards: (Ref 5)

We interviewed totally 40 workers including 3 males, 4 shop stewards, 3 union leaders, and 3 management staff. Workers interviewed were selected from workplace during observation and from paroll by different sections. Two monitors interviewed workers separately to verify the issues as well as confirming with document reviews.

Describe any significant concerns about process integrity. (Ref 6)

Incomplete/inconsistent documents: the payroll ledgers.

Are there any issues of concern not addressed elsewhere in the report? (Ref 7)

No.

Was the assessor's access to the enterprise unreasonably restricted? (Ref 8)

No.

Were documents provided in a timely manner? (Ref 9)

Yes.

Freedom of Association and Collective Bargaining

How many active registered unions are there in the factory? (Ref 67)

1

For each active union, provide

- the name of the union,
- the number of union members,
- the union's affiliation status (affiliated or non-affiliated with a federation or confederation),
- the name of the federation or confederation with which it is affiliated, if applicable.

(Ref 68)

There was a union called Khmer Workers Trade Union which was formed by management of the factory. The union was recognized by the Ministry of Labour and Vocational Training (MoLVT) on July 1, 2013. During the assessment, the previous mandate had expired and the process of renewing union recognition from MoLVT was underway. Management provided us a receipt of acceptant by the MoLVT dated on July 28, 2015 for this recognition. The union did not have any members.

What percentage of workers are union members? (Ref 69)

0

How many strikes have there been since the last visit? (Ref 70)

0

For each strike, indicate:

- why workers went on strike
- whether the strike complied with legal requirements
- whether the strike resulted in violence
- the number of days workers were on strike
- the number of person days workers were on strike
- the outcome of the strike (Ref 71)

N/A

How many collective bargaining agreements are in effect in the factory? (Ref 72)

1

For each CBA, indicate:

- the parties
- the % of the workforce covered
- the duration of the agreement
- an overview of the issues covered (Ref 73)

- The parties: TE FU Umbrella Co. Ltd., and Khmer Workers Trade Union

- % of the workforce covered: 100%

- The duration of the agreement: unspecified term

- Overview: since the last assessment, the factory had entered into a collective bargaining agreement (CBA) with union leaders of the factory who had the MRS (expired on August 7, 2015). Approved by the Department of Labour Dispute on September 2, 2013, the CBA had 13 articles, all of which did not state any rights or benefits better than the law requirements. In addition, the basic wage indicated in the CBA was only applicable during the year of its establishment while the current legal requirement was higher.

Documents checked: Collective Bargaining Agreement.

Contracts and Human Resources

How many total workers are employed by the factory? (Ref 129)

713

How many of the workers are men? (Ref 130)

23

How many of the total workforce are migrant workers? (Ref 131)

0

How many supervisors are employed by the factory? (Ref 132)

9

How many of the supervisors are men? (Ref 133)

1

How many of the supervisors are migrants? (Ref 134)

3

Does the factory use subcontractors to complete all or part of the production process? (Ref 135)

No.

Does the factory use contractors to provide services at the factory that are not part of the production process? (Ref 136)

No.

How many regular workers are employed by the factory? (Ref 137)

683

How many of the regular workers are men? (Ref 138)

23

How many probationary workers are employed by the factory? (Ref 139)

30

How many of the probationary workers are men? (Ref 140)

0

How many casual workers are employed by the factory? (Ref 141)

0

How many of the casual workers are men? (Ref 142)

0

How many workers with disabilities are employed by the factory? (Ref 143)

0

How many of the workers with disabilities are men? (Ref 144)

0

Does the factory have a valid business license? (Ref 145)

The factory had a business license issued by the Ministry of Commerce. It would expire on August 31, 2015. Management said that they were processing to renew the license as the current one would expire very soon.

Documents checked: Certificate of Incorporation of Ministry of Commerce.

How many of the piece-rate workers are men? (Ref 146)

9

How many of the migrant workers are men? (Ref 147)

0

Does the factory have other branches? If yes, please provide the name(s) of the other branch(es). (Ref 148)

No.

Has the factory received any notices of noncompliance from the Labor Ministry since the last visit? (Ref 149)

The factory failed to provide us the report of labour inspection made by the Labour Inspector as management said that the report was lost. Thus, we could not obtain information whether there was any noncompliance issue from the Labour Ministry or not.

How many piece-rate workers are employed by the factory? (Ref 150)

661

Is there an adequate HR policy that is signed by top management with a clear commitment to meet all legal requirements? (Ref 151)

No, management had not established a written HR policy. There was only a draft recruitment policy but it was not signed by top management.

The HR policy should be in writing and signed by top management, and include: mandatory minimum age requirements; appropriate work for young workers; equal treatment and non-discrimination; preventing sexual harassment; legal requirements in relation to termination; freedom of association; and working hours and compensation.

Documents checked: Draft recruitment policy.

Does the employer have an adequate recruitment procedure? (Ref 152)

No, the factory had a draft recruitment policy which was not signed by top management yet and included requirements for job application, non-discrimination and non-corruption policy. The policy did not cover the legal requirements for workers under age 18.

Documents checked: Draft recruitment policy.

Does the employer have adequate disciplinary and termination procedures? (Ref 153)

No, the factory did not have a disciplinary and termination procedure.

The procedure should include: clear specification of unacceptable behaviors or performance; a step-by-step warning system; the right to defend oneself prior to termination, and to representation during disciplinary processes; legal notice periods and termination payments; and time frames for warnings and payments.

Does the employer have adequate grievance handling and dispute resolution procedures? (Ref 154)

Yes, the factory had included the grievance handling mechanism in the Collective Bargaining Agreement (CBA), approved by the labour inspector on September 2, 2013. Article 4 of the CBA regarding the grievance procedure stated the process of filing complaints through the Most Representative Status (MRS) union in the factory to resolve any conflicts. The processes included clear options for submitting grievances; fair review and appeal process; and communication of changes made and/or resolution of grievance/dispute as appropriate.

Documents checked: Collective Bargaining Agreement.

Does the employer adequately assign accountability to management for following factory policies and procedures relating to Human Resource management and performance? (Ref 155)

No, there was an organizational chart of assigning accountabilities to all management levels. However, there were no written job descriptions of the accountabilities.

To ensure accountabilities at all levels of management are assigned for following factory policies and procedure relating to HR, there should be: defined accountability and/or responsibility for HR issues in writing for HR officer as well as top management he/she reports to. The work can be done through job descriptions; reporting lines/organizational charts; description of job duties and authority; and/or accountability through evaluation of performance.

Does the employer adequately communicate and implement HR policies and procedures? (Ref 156)

No, the factory had recruitments posting in the factory, copies of signed worker contracts, and policies and internal regulations postings. However, induction training for workers and staff was not regularly conducted and staff were not effectively trained to carry out policies and procedures relating to HR. Thus, management did not effectively communicate and implement HR policies and procedure.

Does the employer adequately investigate performance under HR policies and procedures to identify weaknesses and make necessary adjustments? (Ref 157)

No, management did not investigate performance under HR violations.

The factory should be looking at HR performance indicators (e.g., turnover rate, absenteeism rate, satisfaction levels, time to fill vacancies, staff training targets, etc.) and/or HR issues (e.g. cases of underage workers, allegations of discrimination, excessive overtime, cases of unfair termination, etc.).

Occupational Safety and Health

How many work-related accidents have there been in the factory in the last 12 months? (Ref 182)

7

Is there an adequate emergency preparedness procedure? (Ref 183)

Yes, management had developed an emergency preparedness procedure incorporated in OSH policy. The procedure contained the methods for: reporting fires and other emergencies; alerting all employees to evacuate; evacuating employees to designated assembly location; and accounting for all employees after an evacuation.

Documents checked: OSH policy.

Is there an adequate hazard/risk management and control procedure? (Ref 184)

No, management had not established a hazard/risk management and control procedure.

The procedure should describe methods for: a systematic approach to identifying hazards; a structure to prioritise risks based on potential impact and likelihood (e.g., risk matrix); a hierarchy of controls that is used to select effective controls; and a risk register that drives the implementation of controls (list of risks, steps that must be taken to address the of risks, dates and owners, etc.).

Is there an adequate accident investigation procedure? (Ref 185)

No, management had not developed an accident investigation procedure.

The procedure should: include root cause analysis; focus on sustainable solutions; and lead to change in order to avoid reoccurrence.

Does the employer adequately assign accountability to management for carrying out health and safety responsibilities? (Ref 186)

No, management had formed an occupational safety and health (OSH) committee in order to carry out OSH issues in the workplace. However, the committee members did not know their responsibilities, were not assigned with clear tasks and reporting lines, and no written description of job duties and authority.

To carry out health and safety responsibilities, management should have: defined accountability and/or responsibility for OSH issues in writing for OSH officer as well as top management he/she reports to. There should be job descriptions; reporting lines/organizational charts; description of job duties and authority; and/or accountability through evaluation of performance; an OSH officer with expertise and authority to perform responsibilities; and an OSH committee or similar worker/management committee with a mandate to consider OSH issues in the workplace.

Does the employer adequately communicate and implement OSH policies and procedures? (Ref 187)

No, management did not effectively communicate and implement OSH policies and responsibilities. There was no training on assigned tasks and of joint OSH committee, no posting names of OSH committee members, and no posts and easy access to policies and work instructions, except posting of evacuation plans.

OSH policies and procedures can be consistently communicated and implemented through: worker training relevant to assigned tasks; training of joint OSH committee; posting names of OSH committee members; and policies and work instructions posted and easily accessible in the factory.

Does the employer adequately investigate, monitor and measure OSH issues to identify root causes and make necessary adjustments to prevent recurrence?

(Ref 188)

No, management did not conduct any investigation, monitoring, and measurement on OSH issues to identify root causes.

OSH violations should be investigated, monitored and measured through: regular tests, surveys and inspections (e.g. testing quality of drinking water or air testing in footwear factories); logging and analysis of violations of procedures; regular management review of effectiveness of management system including performance on measurable objectives and targets; and accident investigations are followed by an actual change in procedure/practice where required.

Are there any other issues of concern not addressed elsewhere in the report related to workers'/supervisors' accommodation? (Ref 189)

No.

Overview of Non-Compliance

The following is an overview of the areas of non-compliance found in the factory during the assessment visit. It is based on the compliance assessment tool, which consists of 200 questions.

Core Labour Standards

Freedom of Association and Collective Bargaining

| | |
|--|--|
| <i>Freedom to Associate</i> | Freedom to form and join a union |
| <i>Interference and Discrimination</i> | Union interference. Union under control |

Working Conditions

Compensation

| | |
|--|--|
| <i>Minimum Wages/Piece Rate Wages</i> | Setting and payment of the piece rate |
| <i>Paid Leave</i> | Payment for maternity leave Payment for sick leave Payment for breast-feeding breaks |
| <i>Social Security and Other Benefits</i> | Payment of attendance bonus |
| <i>Wage Information, Use and Deduction</i> | Informing workers about wage payments and deductions Payroll records |

Contracts and Human Resources

| | |
|--|---|
| <i>Contracting Procedures</i> | Limits on the use of fixed term contracts |
| <i>Dialogue, Discipline and Disputes</i> | Shop stewards |
| <i>Employment Contracts</i> | Employment contracts' compliance with Cambodian labour law and/or with the factory's internal regulations Systems to ensure workers' understanding of the terms and conditions of employment Internal regulations |
| <i>Termination</i> | Timely payment of compensation upon termination |

Occupational Safety and Health

| | |
|---|--|
| <i>Chemicals and Hazardous Substances</i> | <ul style="list-style-type: none"> Preparation for chemical spills Chemical mixing rooms Inventory of chemicals and hazardous substances used in the workplace Labelling of chemicals and hazardous substances Storage of chemicals and hazardous substances Chemical safety data sheets for all chemicals and hazardous substances in the workplace Preventing and/or limiting workers' exposure to hazardous substances Training workers who work with chemicals and hazardous substances Washing facilities or cleansing materials in the event of chemical exposure |
| <i>Emergency Preparedness</i> | <ul style="list-style-type: none"> Periodic emergency drills Unobstructed escape routes during working hours, including overtime work |
| <i>Health Services and First Aid</i> | <ul style="list-style-type: none"> HIV/AIDS committee First-aid training for workers Infirmary Pre-employment medical examinations |
| <i>OSH Management Systems</i> | <ul style="list-style-type: none"> Written OSH policy Mechanisms to ensure cooperation between workers and management on OSH matters Assessment of general occupational safety and health issues in the factory |
| <i>Welfare Facilities</i> | <ul style="list-style-type: none"> Toilets Washing facilities and/or soap Providing drinking water Providing cups or other sanitary means to workers for drinking water Nursing room and/or day care centre at or near the workplace |
| <i>Worker Protection</i> | <ul style="list-style-type: none"> Hazard Assessment Training and encouragement of workers to use PPE, machines and equipment safely Installing guards on all dangerous moving parts of machines and equipment Ergonomic requirements Providing workers with personal protective clothing and equipment |
| <i>Working Environment</i> | <ul style="list-style-type: none"> Workplace temperature and ventilation Workplace noise levels Workplace lighting Workplace cleanliness |

Working Time

| | |
|-----------------|---|
| <i>Leave</i> | <ul style="list-style-type: none"> Time off for annual leave Time off for special leave Time off for breastfeeding breaks. |
| <i>Overtime</i> | <ul style="list-style-type: none"> 2 hour limit on overtime work. |

Detailed Non-Compliance Findings

The following section presents the non-compliance findings recorded by the Enterprise Advisors during the assessment visit.

Core Labour Standards

Freedom of Association and Collective Bargaining

Freedom to Associate

| | |
|------------------|--|
| Issue | Freedom to form and join a union |
| Question | Can workers freely form and join a union? (Ref 75) |
| Finding | Workers said that they were afraid to form or join a union because they were afraid that their contracts would not be renewed after ending (2-month FDCs). In the previous assessment, there used to be some workers who were active with external unions and some were in a process of forming a union but they were provided with termination notice at the end of the contracts. Thus, after then, the others dare not to form or join any union. |
| Source Consulted | Worker, |
| Legal Reference | C87; LL Art. 266, 271. |

Interference and Discrimination

| | |
|------------------|--|
| Issue | Union interference. |
| Question | Does the employer interfere with workers or unions when they draw up their constitutions and rules, hold elections, or organize their activities, administration or finances? (Ref 84) |
| Finding | We found that the union leaders were elected through participation of some management staff, supervisors, group leaders in the factory. The election was conducted during working hours and in management's office. Management staff was the one who had submitted names of newly elected union leaders to the Department of Labour Inspection for recognition, not the union leaders themselves. Management said that after the union certificate renewal would be approved by the Labour Inspector, they would process with the Most Representative Satus (MRS) registration and then creating a new CBA. It was noticed that the previous union leaders whose mandate had expired followed the same process as mentioned above. |
| Source Consulted | Management, Union, |
| Legal Reference | C98, C135; LL Art. 277, 280; Prakas 305/01 (5,8,9) |

| | |
|------------------|--|
| Issue | Union under control |
| Question | Has the employer taken steps to bring the union(s) under its control? (Ref 85) |
| Finding | The union formation was facilitated by management. The union currently did not have any member (no dues deducted). We found that the union leaders were under management control as the process of appointing/electing them and getting recognition from the Labour Ministry was arranged by management. Management said that in order to renew the the union recognition, the Ministry required Criminal Records of all union representatives. Thus, the process of making it as well as the payment was covered by management. Union representatives themselves did not really know the entire process and told us to ask related-issues with management staff who handled this process. We considered that management tried to take steps to bring union under control. Management also acknowledge this during exit meeting. |
| Source Consulted | Management, Union, |
| Legal Reference | LL 280, C.87, Art.2 |

Working Conditions

Compensation

Minimum Wages/Piece Rate Wages

| | |
|------------------|--|
| Issue | Setting and payment of the piece rate |
| Question | Is the piece rate set at a level that permits workers of average ability working normal hours to earn minimum wage? (Ref 100) |
| Finding | <p>The factory started to use piece rate system with workers in all production lines (except warehouse) after the last visit. The three-month calculation of piece rate workers indicated that in average, approximately 20% of piece rate workers could earn exceeding minimum wage using the piece rate price while the rest had their wage made up to minimum wage.</p> <p>We encouraged management to set a piece rate price at a level that allowed at least 75% of piece rate workers the ability to earn minimum wage for normal hours.</p> <p>Documents checked: Payroll for February, May, and July 2015.</p> |
| Source Consulted | Documentation, |
| Legal Reference | LL Arts. 104, 108; AC 81/05 (rate should be set based on average ability); Prakas No. 317/13; Prakas No.283/14 |

Wage Information, Use and Deduction

| | |
|------------------|--|
| Issue | Informing workers about wage payments and deductions |
| Question | Does the employer properly inform workers about wage payments and deductions? (Ref 111) |
| Finding | <p>Workers were informed about piece rate price when each style changed not later than one week. The monthly payroll and that of public holidays were written in Khmer (together with Chinese). However, the payrolls for Sundays, overtime exceeding 2 hours per day, and for meal allowance were written in Chinese that made them difficult to understand.</p> <p>Documents checked: Payrolls for July 2015, Sunday work in May 2015, and meal allowance records for July 2015.</p> |
| Source Consulted | Observation, Documentation, Management, Worker, |
| Legal Reference | LL Arts. 109, 112; AC 23/08 (employer should provide workers with payslip written in Khmer) |

| | |
|------------------|---|
| Issue | Payroll records |
| Question | Does the employer keep only one accurate payroll record? (Ref 112) |
| Finding | <p>There were four separate payroll ledgers, one of those recorded normal working hours, 2 hours of overtime, and supplementary benefits, the three others were for Sundays, public holidays, overtime exceeding 2 hours (from 18:00-20:00) respectively. When all the payrolls were combined, they reflected hours actually worked and wages actually paid to workers.</p> <p>Documents checked: Payroll for July 2015, and payrolls for Sundays and public holidays for May 2015.</p> |
| Source Consulted | Documentation, Management, Worker, |
| Legal Reference | LL Arts. 39-41; Prakas 269/01; see also R. 85 |

Paid Leave

| | |
|------------------|--|
| Issue | Payment for maternity leave |
| Question | Does the employer pay workers correctly for maternity leave? (Ref 115) |
| Finding | <p>Management provided 90-day paid maternity leave to workers who had worked in the factory for more than 1 year. However, they were paid 50% of basic wage for maternity leave. The payment was made monthly. There were 5 workers entitling to paid maternity leave during the visit. We encouraged management to pay workers for maternity leave half of their average monthly earnings during the 12 months preceding the leave, including overtime pay and bonuses.</p> <p>Documents checked: Records of maternity leave workers.</p> |
| Source Consulted | Documentation, Management, Worker, |
| Legal Reference | LL Arts. 182, 183; AC 66/06 (calculation of payment during maternity leave) |

| | |
|------------------|---|
| Issue | Payment for sick leave |
| Question | Does the employer provide paid sick leave as required by the factory's Internal Regulations, or if there are no Internal Regulations, according to the Ministry's practice? (Ref 117) |
| Finding | <p>When workers brought medical certificates from state hospitals, management provided paid sick leave with full attendance bonus and daily wage. One medical certificate could allow for one day leave, meaning they would need a certificate for each day of taking sick leave. Sick leave could be allowed to use for 2 to 3 days, if more than that full daily wage was deducted with proportional attendance bonus. In addition, we found a case that management gave paid sick leave to a worker but the daily wage was deducted with proportional attendance bonus. Management reimbursed the worker after we found the case.</p> <p>We encouraged management to provide paid sick leave when workers brought reliable medical certificates from qualified doctors and follow internal regulations regarding sick leave (no limitation on sick leave period as mentioned above).</p> <p>Documents checked: Sick leave records for July 2015.</p> |
| Source Consulted | Documentation, Management, Worker, |
| Legal Reference | LL Art. 166; Factory Internal Regulations; Labour Ministry Practice |

| | |
|------------------|---|
| Issue | Payment for breast-feeding breaks |
| Question | Does the employer provide workers one hour of paid time off per day for breast-feeding? (Ref 118) |
| Finding | <p>Senior workers who returned from maternity leave were allowed to take one hour of paid time off for breast feeding. However, the paid time off was calculated based on minimum wage even though they were piece rate workers. We encouraged management to pay piece rate workers based on actual piece rate earned for an hour of paid time off for breast feeding.</p> <p>Documents checked: Records of workers taking breast-feeding time off.</p> |
| Source Consulted | Documentation, Management, Worker, |
| Legal Reference | LL Arts. 184, 185 |

Social Security and Other Benefits

| | |
|------------------|---|
| Issue | |
| Question | Does the employer pay all workers who work regularly the correct attendance bonus when workers take annual leave? (Ref 125) |
| Finding | Workers were provided 18 days of annual leave per year. The annual leave was converted into cash compensation and paid to workers once per year. Senior workers were not aware of their right to use annual leave as management kept the annual leave for cash compensation. Thus, they used unpaid leave by deducting full daily wage and proportional attendance bonus. |
| Source Consulted | Management, Worker, |
| Legal Reference | LL Art. 168; Prakas 317/13 and Guideline 01/14; AC 62/07; AC 106/07 (proportional payment during authorized leave); AC 08/07 (full payment of attendance bonus during annual leave); AC 54/07 (no attendance bonus required when workers have 1/2 day unauthorized absence); AC 08/07 (attendance bonus does not have to be paid when workers are late) |

| | |
|------------------|--|
| Issue | Payment of attendance bonus |
| Question | Does the employer pay all workers who work regularly the correct attendance bonus when workers take special leave? (Ref 127) |
| Finding | Management provided paid special leave only for own wedding of workers or their parents/close relatives who passed away. The cases of wife's delivery and sickness of children were not covered. Thus, workers used unpaid leave for sickness of children with their full daily wage and proportional attendance bonus deducted. |
| Source Consulted | Management, Worker, |
| Legal Reference | LL Art. 168; Prakas 317/13 and Guideline 01/14; AC 45/05 (no deduction if workers make up the days off; no deduction if special leave is deducted from annual leave). |

Contracts and Human Resources

Employment Contracts

| | |
|------------------|--|
| Issue | Employment contracts' compliance with Cambodian labour law and/or with the factory's internal regulations |
| Question | Do the employment contracts comply with Cambodian labour law and with the factory's internal regulations? (Ref 158) |
| Finding | Provisions in regular employment contracts complied with the law except one clause in point B stating that meal allowance is provided 1000 Riels per hour of overtime. According to the law, the meal allowance for overtime work per time is 2,000 Riels. Documents checked: Employment contracts of regular workers. |
| Source Consulted | Documentation, |
| Legal Reference | LL Arts. 1, 13, 65 |

| | |
|------------------|--|
| Issue | Systems to ensure workers' understanding of the terms and conditions of employment |
| Question | Does management have a system to ensure that workers understand the terms and conditions of employment? (Ref 160) |
| Finding | Management provided orientation to line leaders/supervisors and some workers about terms and conditions of employment. However, some new workers did not undergo the orientation training. They did not understand well, especially about wage calculation and terms of payment. |
| Source Consulted | Management, Worker, |
| Legal Reference | LL 67(4) |

| | |
|------------------|---|
| Issue | Internal regulations |
| Question | Do the internal regulations comply with legal requirements? (Ref 162) |
| Finding | The factory had developed internal regulations (IRs) in consultation with worker representatives. They were approved by the labour inspector on July 5, 2013. All provisions in the IRs complied with the legal requirements except the basic wage of probationary workers, \$80, and regular workers, \$81, per month. In practice, management provided correct minimum wage to both probationary and regular workers. Management should amend the clause about basic wage to comply with the current legal requirements. Documents checked: Internal Regulations. |
| Source Consulted | Documentation, |
| Legal Reference | LL Art. 22-25, 29; Notice 14/02 Annex |

Contracting Procedures

| | |
|------------------|---|
| Issue | Limits on the use of fixed term contracts |
| Question | Does the employer comply with the two-year limit on the use of fixed term contracts? (Ref 164) |
| Finding | <p>Regular workers were employed under 2-month FDCs. When their employment period reached 2 years, the contracts were terminated and they were allowed to rest 1 week to 10 days before re-employing again as new workers.</p> <p>Management should consider all workers who are employed for longer than two years total to be employed under an unspecified duration contract. (This suggestion takes into account the Cambodian Labour Law; MOLVT Letters No. 2540 and No. 2640; AC Order 10/03; and ILO Recommendation 166 (Termination of Employment Recommendation), 1982). There is a discrepancy in interpretation between MOLVT and the AC. Better Factories Cambodia is adhering to the AC interpretation, which is in accordance with ILO R166.)</p> <p>Documents checked: Contracts of regular workers.</p> |
| Source Consulted | Documentation, Management, Worker, |
| Legal Reference | LL Art. 67; AC 10/03 (after 2 years of continuous employment, workers should be considered to be working under UDCs); 141/08 (acceptable to work beyond 2 years on FDCs if workers freely agree to do so) |

Termination

| | |
|------------------|--|
| Issue | Timely payment of compensation upon termination |
| Question | Does the employer pay all outstanding wages and indemnities within 48 hours of termination? (Ref 168) |
| Finding | Both resigned and terminated workers were paid a week after they stopped working in the factory. |
| Source Consulted | Management, Worker, |
| Legal Reference | LL Art. 116 |

Dialogue, Discipline and Disputes

| | |
|------------------|--|
| Issue | Shop stewards |
| Question | Does the employer comply with requirements regarding shop stewards? (Ref 176) |
| Finding | <p>The latest shop steward election was held on July 18, 2015. The election was approved by the Labour Inspector in Kandal province on July 21, 2015. The mandate would expire on July 18, 2017. There were 8 shop stewards and 8 assistant shop stewards elected among 666 eligible workers. However, the process of election did not comply with legal requirements as follows:</p> <ul style="list-style-type: none"> - the election was not held at least 15 days before the previous mandate expired, since April 2015; - the ballots were not separated between shop steward and assistant candidates; - 2-hour break was not provided to workers for considering candidates; and - the shop stewards were not provided an office, office supplies, and 2 hours per week to perform their functions. <p>Documents checked: Minutes and approval letter of shop steward election.</p> |
| Source Consulted | Documentation, Management, Worker, |
| Legal Reference | LL Arts. 285, 287, 288; Prakas 286/01 |

Occupational Safety and Health

OSH Management Systems

| | |
|------------------|--|
| Issue | Written OSH policy |
| Question | Does the factory have a written OSH policy? (Ref 190) |
| Finding | <p>No, the factory had a written health and safety policy and procedure combined in one document. The policy covered two main components, the first components contained 14 sub-components and the second contained 4 sub-components. In the first component, the policy indicated a clear commitment to: ensure health and safety in the workplace and prevent work-related accidents; comply with legal requirements pertaining to OSH; assign responsible persons in carrying out OSH in the workplace. The second part described about hazard and waste management as well as first aid support. However, the policy was not signed by top management and developed in consultation with worker representatives.</p> <p>The policy should be in writing, signed by top management, and state some OSH objectives with a clear commitment to: continued improvement aimed at elimination of work-related injury and illness; compliance with legal requirements pertaining to OSH; develop the policy in consultation with workers and their representatives; establishing measurable objectives and improvement targets.</p> <p>Documents checked: OSH policy.</p> |
| Source Consulted | Documentation, Management, Worker, |
| Legal Reference | R164, LL Arts. 229, 230, 250 |

| | |
|------------------|--|
| Issue | Mechanisms to ensure cooperation between workers and management on OSH matters |
| Question | Has the employer developed mechanisms to ensure cooperation between workers and management on OSH matters? (Ref 191) |
| Finding | Besides forming an OSH Committee, management failed to conduct regular meetings amongst OSH committee members. Management can help to ensure cooperation between workers and management by appointing worker safety delegates, worker safety and health committees, and/or joint safety and health committees where workers have at least equal representation with employer representatives. Worker safety delegates and OSH committee members should be able to participate in OSH decisions, and be given time during paid working hours to perform their OSH functions. Employers must give worker representatives adequate information to actively participate in the committee. |
| Source Consulted | Management, Worker, |
| Legal Reference | LL Arts. 229, 230, 250, Prakas 176/13, C155 and R164 |

| | |
|------------------|--|
| Issue | Assessment of general occupational safety and health issues in the factory |
| Question | Has the employer performed an assessment of general occupational safety and health issues in the factory? (Ref 192) |
| Finding | Management failed to conduct assessment of general occupational safety and health in the workplace. |
| Source Consulted | Management, |
| Legal Reference | R164, LL Arts. 229, 230, 250 |

Chemicals and Hazardous Substances

| | |
|------------------|--|
| Issue | Preparation for chemical spills |
| Question | Has the employer prepared for response, control and cleaning of chemical spills? (Ref 195) |
| Finding | A kind of glue was used at the umbrella assembly area. There was no arrangement for response, control and cleaning of chemical spills. |
| Source Consulted | Observation, |
| Legal Reference | LL. Art. 229, 230 |

| | |
|------------------|---|
| Issue | Chemical mixing rooms |
| Question | Are chemical mixing rooms properly equipped and used? (Ref 196) |
| Finding | The chemical mixing room was located separately from the production areas but it was not well ventilated. |
| Source Consulted | Observation, |
| Legal Reference | LL. Art. 230 |

| | |
|------------------|---|
| Issue | Inventory of chemicals and hazardous substances used in the workplace |
| Question | Does the employer keep an inventory of chemicals and hazardous substances used in the workplace? (Ref 197) |
| Finding | The factory used glue in assembly section and there was no inventory of chemical substance being used. |
| Source Consulted | Observation, |
| Legal Reference | C170, LL Art. 229 |

| | |
|------------------|---|
| Issue | Labelling of chemicals and hazardous substances |
| Question | Are chemicals and hazardous substances properly labelled? (Ref 198) |
| Finding | The glue using for umbrella assembly was not properly labelled in local language (Khmer). |
| Source Consulted | Observation, |
| Legal Reference | C170, LL Art. 229 |

| | |
|------------------|--|
| Issue | Storage of chemicals and hazardous substances |
| Question | Are chemicals and hazardous substances properly stored? (Ref 199) |
| Finding | The glue was not stored separately. |
| Source Consulted | Observation, |
| Legal Reference | LL Art. 229, Prakas 307/07 |

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|------------------|--|
| Issue | Chemical safety data sheets for all chemicals and hazardous substances in the workplace |
| Question | Does the employer have chemical safety data sheets for the hazardous chemicals used in the workplace? (Ref 200) |
| Finding | There was no safety data sheet for the glue being used. |
| Source Consulted | Observation, Management, |
| Legal Reference | LL Art. 229 |

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|------------------|---|
| Issue | Preventing and/or limiting workers' exposure to hazardous substances |
| Question | Has the employer taken action to prevent and limit workers' exposure to chemicals and hazardous substances? (Ref 201) |
| Finding | The chemical substance was used in production area and management did not take any action to prevent the chemical exposure for workers. |
| Source Consulted | Management, Worker, |
| Legal Reference | LL Art. 229, Prakas 125/01, Prakas 307/07 |

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|------------------|---|
| Issue | Training workers who work with chemicals and hazardous substances |
| Question | Has the employer effectively trained workers who work with chemicals and hazardous substances? (Ref 202) |
| Finding | Workers were not trained well on the use of chemical substance. |
| Source Consulted | Management, Worker, |
| Legal Reference | LL Art. 229, Prakas 307/07 |

| | |
|------------------|---|
| Issue | Washing facilities or cleansing materials in the event of chemical exposure |
| Question | Does the employer provide adequate washing facilities and cleansing materials in the event of exposure to hazardous chemicals? (Ref 203) |
| Finding | There was no washing facility near the area where chemical was used. |
| Source Consulted | Observation, |
| Legal Reference | LL Art. 229 |

Worker Protection

| | |
|------------------|---|
| Issue | Hazard Assessment |
| Question | Has the factory conducted an assessment of the potential hazards in the workplace? (Ref 205) |
| Finding | The factory did not conduct any assessment on potential hazards in the workplace. |
| Source Consulted | Observation, Management, |
| Legal Reference | LL Art. 250 |

| | |
|------------------|---|
| Issue | Training and encouragement of workers to use PPE, machines and equipment safely |
| Question | Are workers effectively trained and encouraged to properly use personal protective equipment and machines? (Ref 206) |
| Finding | Workers were not properly trained and encouraged to wear PPEs such as earplugs or metal gloves. |
| Source Consulted | Observation, Management, Worker, |
| Legal Reference | LL Art. 229; Prakas 125/01 Prakas 307/07 |

| | |
|------------------|---|
| Issue | Installing guards on all dangerous moving parts of machines and equipment |
| Question | Are guards properly installed and maintained on all dangerous moving parts of machines and equipment? (Ref 208) |
| Finding | The chains of fabric-moving machines were not covered with proper cover guards which could be dangerous for workers' safety and the auto sewing machines not equipped with cover belts. |
| Source Consulted | Observation, |
| Legal Reference | LL Art. 230 |

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|------------------|--|
| Issue | Ergonomic requirements |
| Question | Does the employer comply with ergonomic requirements? (Ref 210) |
| Finding | Workers in standing positions including cutting, QC, and packing sections were not provided chairs or benches to rest on occasionally. |
| Source Consulted | Observation, |
| Legal Reference | LL Arts. 229, 230; Prakas 053/00, Prakas 124/01 |

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|------------------|--|
| Issue | Providing workers with personal protective clothing and equipment |
| Question | Does the employer provide workers with all necessary personal protective clothing and equipment? (Ref 212) |
| Finding | Workers were provided with flip-flops as well as ear-plugs to wear in production. Dust masks were not provided to workers regularly but it was acceptable as the production was not so dusty. However, workers at umbrella-handle machines were not provided with metal gloves and those who wanted to request for new flip-flops found it hard to get the replacement. |
| Source Consulted | Observation, Management, Worker, |
| Legal Reference | LL Art. 229; Prakas 125/01, 138/03 |

Working Environment

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|------------------|--|
| Issue | Workplace temperature and ventilation |
| Question | Are the temperature and ventilation acceptable? (Ref 213) |
| Finding | <p>EAs measured the temperature levels as follows:</p> <p>Temperature recorded outside the factory: 34.9 C at 12:30</p> <p>Temperature recorded inside the factory: 28-34.3 C at 12:40</p> <p>Umbrella assembly section: 33.6-33.8 C</p> <p>Packing section: 32.2-34 C</p> <p>Sewing section: 32.2-33 C</p> <p>Cutting section: 28-30.2 C</p> <p>QC section: 32.2-34 C</p> <p>Warehouse: 34.1-34.3 C</p> <p>The temperature in packing, sewing, QC, assembly sections, and warehouse was hot.</p> <p>Better Factories Cambodia recommends a maximum temperature of 32 C.</p> |
| Source Consulted | Observation, |
| Legal Reference | LL Art. 229; Prakas 147/02; Safety, Health and Working Conditions Training Manual; ILO Caribbean Office referencing American Conference of Government Industrial Hygienists |

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|------------------|--|
| Issue | Workplace noise levels |
| Question | Are noise levels acceptable? (Ref 214) |
| Finding | <p>EAs measured the noise levels as follows:</p> <p>Building A, B, and C:</p> <p>Sewing section: 76-91 dB(A)</p> <p>Umbrella assembly section: 81-90 dB(A).</p> <p>The maximum allowable noise level for an 8-hour shift is 85 dB(A).</p> <p>The noise levels in some areas in both sections did not comply with the legal requirements.</p> |
| Source Consulted | Observation, |
| Legal Reference | LL Art. 229; Prakas 138/03; Sub-decree 42/00 |

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|------------------|--|
| Issue | Workplace lighting |
| Question | Is the workplace adequately lit? (Ref 215) |
| Finding | EAs measured the light levels as follows: Assembly section: 344-1062 lux; should be 1000 lux Sewing section: 134.5-1477 lux; should be 1000 lux QC section: 320-771 lux; should be 1000 lux Cutting section: 747-770 lux The lighting levels in some areas in assembly, sewing, and QC sections did not comply with the Labour Law. |
| Source Consulted | Observation, |
| Legal Reference | LL Art. 229; Prakas 484/03 |

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|------------------|---|
| Issue | Workplace cleanliness |
| Question | Is the workplace clean and tidy? (Ref 216) |
| Finding | The arrangement at cutting section in assembly building was not tidy and clean because of the metal debris. |
| Source Consulted | Observation, |
| Legal Reference | LL Art. 229 Prakas 307/07 |

Welfare Facilities

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|------------------|---|
| Issue | Toilets |
| Question | Does the workplace have adequate accessible toilets? (Ref 217) |
| Finding | There were totally 40 toilets, 4 of which were designated for men and 4 of which were western style toilets. The toilets were not well lit. Management should ensure that the toilets were well lit. Number of toilets complied with the legal requirements. However, there should be 1 western style toilet for every 50 female workers which equaled to 14 for current number of female workers in the factory. We provided verbal suggestion on this issue during this visit. We will follow-up in the next assessment. |
| Source Consulted | Observation, |
| Legal Reference | LL Art. 229; Prakas 052/00 |

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|------------------|--|
| Issue | Washing facilities and/or soap |
| Question | Does the workplace have adequate hand washing facilities and adequate soap? (Ref 218) |
| Finding | There was no soap available near at hand-washing areas for workers to use. |
| Source Consulted | Observation, Worker, |
| Legal Reference | LL Art. 229; Prakas 052/00 |

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|------------------|---|
| Issue | Providing drinking water |
| Question | Does the employer provide workers enough free safe drinking water? (Ref 219) |
| Finding | Workers were provided filtered water for drinking. The water was tested regularly by Industrial Laboratory Centre of Cambodia (ILCC) and the latest one was on June 16, 2015. The water test did not include pH level. We found that the water provided was not enough for workers' consumption in all buildings (A, B, and C). |
| Source Consulted | Observation, Documentation, Worker, |
| Legal Reference | LL Art. 229; Prakas 054/00; AC 143/09 |

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|------------------|---|
| Issue | Providing cups or other sanitary means to workers for drinking water |
| Question | Does employer provide cups or other sanitary means for drinking water? (Ref 220) |
| Finding | Workers were not provided cups or bottles for drinking water. They used their own means to drink water. |
| Source Consulted | Management, Worker, |
| Legal Reference | LL 229;P.054/00 |

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|------------------|---|
| Issue | Nursing room and/or day care centre at or near the workplace |
| Question | Does the workplace have a functioning and accessible nursing room, and a functioning day care centre at or near the workplace? (Ref 221) |
| Finding | There was a nursing room setting up near the security guard check-point. However, the room was not functioning because there were some fabric pieces and debris storing inside the room. There was no day care centre nor child care cost for women employees. Management said that the factory had announced a policy of providing child care cost of \$7 per month for babies from 18 months to 3 years old but so far none of the workers received this benefit yet as the factory's policy applied only to those delivering babies during their service in the factory while new workers were not entitled to this benefit. |
| Source Consulted | Observation, Management, Worker, |
| Legal Reference | LL Art. 186; AC 96/06 (Employer should set up nursing room and day care centre for women returning from maternity leave, so they can keep their babies at work and breastfeed them until they reach 18 months of age. After a child reaches 18 months, the employer can pay the child care cost instead of providing on-site day care); AC 45/07 (payment for day care should cover children 18-36 months of age) |

Health Services and First Aid

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|------------------|--|
| Issue | HIV/AIDS committee |
| Question | Does the workplace have a functioning HIV/AIDS Committee? (Ref 222) |
| Finding | The factory had not formed an HIV/AIDS committee since its operation in February 2013. |
| Source Consulted | Management, |
| Legal Reference | Prakas 086/06 |

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|------------------|--|
| Issue | First-aid training for workers |
| Question | Has the employer provided first-aid training for workers? (Ref 223) |
| Finding | The factory held first aid training once since it began operating in 2013. The training was conducted on June 10, 2014 with 20 workers (since the last assessment visit). Documents checked: First aid training record. |
| Source Consulted | Documentation, Management, Worker, |
| Legal Reference | LL Arts. 229, 230 |

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|------------------|--|
| Issue | Infirmary |
| Question | Does the workplace have an adequately equipped and staffed infirmary? (Ref 224) |
| Finding | <p>There were one doctor and one nurse. The doctor worked around 3 hours per week. The nurse worked 8 hours per day, from Monday to Saturday. There was no medical staff on duty during overtime, Sundays, and public holidays. There were 8 beds in the infirmary. Medicines and medical equipments were not sufficient.</p> <p>Based on the legal requirements, there should be 2 nurses in the infirmary and medical staff on duty during working hours including overtime and Sunday/public holidays. The doctor should work 3 hours per day and every working day. There should be 14 beds for the current number of workers and enough medicines and medical equipments.</p> |
| Source Consulted | Observation, Management, Worker, |
| Legal Reference | LL Arts. 242, 244, 247; Prakas 330/00; AC 03/03 |

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|------------------|--|
| Issue | Pre-employment medical examinations |
| Question | Do workers undergo a medical examination before being employed? (Ref 227) |
| Finding | <p>Management said that in the last visit, they invited officers from the Department of Occupational Safety and Health (DOSH) to do medical check up for workers in the factory. Then later one, when there were around 20 to 30 new workers in the factory, they would be brought by factory's vans to undergo medical check up at the DOSH . However, lately they failed to do it quite often. By the assessment date, there were around 239 workers who had not undergone medical examination.</p> <p>We encouraged management to require workers to undergo medical examination before being employed.</p> |
| Source Consulted | Management, Worker, |
| Legal Reference | LL Art. 247; Joint Prakas 09/94 |

Emergency Preparedness

| | |
|------------------|--|
| Issue | Periodic emergency drills |
| Question | Does the employer conduct periodic emergency drills? (Ref 235) |
| Finding | <p>Management failed to conduct emergency evacuation drill every 6 months. The two latest drills were held on April 29, 2014 by each section, and on June 12, 2015 for workers in rib and stretcher assembly building. We encouraged management to conduct the emergency evacuation drill every 6 months with all workers at a time.</p> <p>Documents checked: Emergency records for April 2014 and June 2015.</p> |
| Source Consulted | Documentation, Management, Worker, |
| Legal Reference | LL Art. 230 Prakas 307/07 |

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|------------------|--|
| Issue | Unobstructed escape routes during working hours, including overtime work |
| Question | Are escape routes free of obstruction? (Ref 239) |
| Finding | Boxes of unused materials were placed along access paths in QC and packing sections. |
| Source Consulted | Observation, |
| Legal Reference | LL Art. 230 |

Working Time

Overtime

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|------------------|--|
| Issue | 2 hour limit on overtime work. |
| Question | Is overtime work limited to two hours per day? (Ref 246) |
| Finding | The factory worked regular overtime from Monday to Friday from 16:00-18:00. Occasionally, when the production was urgent, workers worked overtime until 20:00. It also happened in June and July 2015. Documents checked: Payrolls for overtime exceeding 2 hours in June 2015. |
| Source Consulted | Documentation, Management, Worker, |
| Legal Reference | LL Arts. 139, 141(4); Prakas 80/99 |

Leave

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|------------------|--|
| Issue | Time off for annual leave |
| Question | Does the employer give workers at least 18 days of annual leave per year and an extra day of annual leave for every three years of service? (Ref 249) |
| Finding | Workers who had right to annual leave entitlement (after one year of service) were not aware of their rights to use annual leave. They could use annual leave only during special case (special leave). Their unused annual leave was converted into cash compensation every year (in January). Thus, they used unpaid leave instead of annual leave although they still had annual leave left. The factory began operating in February 2013; thus, none of the workers got extra day of annual leave for every three years of service yet. |
| Source Consulted | Management, Worker, |
| Legal Reference | LL Arts. 166-167, 169; Notice 017/00(6); AC 08/07, 71/09 |

| | |
|------------------|--|
| Issue | Time off for special leave |
| Question | Does the employer give workers up to 7 days of time off for special leave per year? (Ref 250) |
| Finding | Workers could use 7 days of special leave which was deducted from annual leave for their own wedding and close relatives/parents passes away. Besides these reasons, they used unpaid leave (for sickness of children or worker's spouse delivery). We encouraged management to provide paid special leave for all reasons permitted by the law. |
| Source Consulted | Management, Worker, |
| Legal Reference | LL Art. 171; Prakas 267/01 |

| | |
|------------------|--|
| Issue | Time off for breastfeeding breaks. |
| Question | Does the employer provide workers with paid time off for breast-feeding during working hours as required by law? (Ref 253) |
| Finding | Senior workers who returned from maternity leave were provided an hour of paid time off for breast feeding during working hour. However, new workers who had babies from birth to one year old were not provided this entitlement. |
| Source Consulted | Management, Worker, |
| Legal Reference | LL Art. 184 |

Additional Information

This section of the report contains additional information provided by the Enterprise Advisors on areas NOT found to be in non-compliance, including on certain issues that require findings in all assessments regardless of their compliance status.

Child Labour

Child Labourers

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|------------------|---|
| Question | Have you found any workers under the age of 15? (Ref 10) |
| Finding | Based on random checks comprising of our visual observations, interviews with workers, and employment record reviews, we found no indication that management employed workers under the age of 15. Documents checked: Sample of HR records for 20 workers. |
| Source Consulted | Observation, Documentation, Management, Worker, |
| Legal Reference | C138; LL Art. 177(1, 4); Prakas 307/07 |

Documentation and Protection of Young Workers

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|------------------|--|
| Question | Does the employer reliably verify the age of workers prior to hiring? (Ref 14) |
| Finding | Management required workers to provide at least two original documents to verify their ages prior to hiring: national identification card, birth certificate, and family record book. Documents checked: HR records for 20 workers. |
| Source Consulted | Documentation, |
| Legal Reference | C138, R146; Notice 11/03. |

Discrimination

Gender

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|------------------|--|
| Question | Is an applicant's gender a factor in hiring decisions? (Ref 32) |
| Finding | By the assessment date, number of male workers equaled to approximately 3% (of the total workforce which was very low. However, there was no concrete evidence to confirm that the factory discriminated male workers during job applications as workers and management interviews indicated that the production work fit more to female workers while the male ones were hired to handle the work mostly in warehouse for loading materials and as mechanics. |
| Source Consulted | Management, Worker, |
| Legal Reference | C111, C100. LL Art. 12 |

Compensation

Minimum Wages/Piece Rate Wages

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|------------------|--|
| Question | Does the employer pay regular workers at least minimum wage for ordinary hours of work? (Ref 99) |
| Finding | Management paid regular workers \$128 per month as a basic wage (for ordinary hours of work). Documents checked: Payrolls for June and July 2015. |
| Source Consulted | Documentation, Management, Worker, |
| Legal Reference | LL Art. 104; Prakas No. 317/13; Prakas No.283/14 |

| | |
|------------------|---|
| Question | Are piece-rate workers paid correctly for ordinary hours of work? (Ref 101) |
| Finding | Management correctly paid piece rate workers at least the minimum wage (\$128 per month for regular workers; \$123 per month for probationary workers), even if their actual piece-rate earnings are lower than minimum wage. Piece rate workers are correctly paid the higher amount based on their piece rate pay when they earned more than the minimum wage. Documents checked: Payrolls for May to July 2015. |
| Source Consulted | Documentation, Management, Worker, |
| Legal Reference | LL Art. 104; Prakas No. 317/13; Prakas No.283/14 |

Overtime Wages

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|------------------|---|
| Question | Does the employer pay all workers the correct meal allowance or give them a reasonable free meal when they work overtime? (Ref 106) |
| Finding | Besides 2,000 Riels for meal allowance of two hours overtime, management provided 2,000 Riels for meal for overtime from 18:00-20:00 and 1,000 Riels for lunch per day. Workers also received 2,000 Riels for meal allowance for Sundays and public holidays. Documents checked: Payroll for Sunday and public holiday work in May 2015, and meal allowance records for July 2015. |
| Source Consulted | Documentation, Management, Worker, |
| Legal Reference | Notices 041/11, 017/00, 745/06; AC 51/07 (full meal allowance is required regardless of the number of OT hours worked); AC 141/09 (meal allowance for Sunday and public holiday work) |

Contracts and Human Resources

Employment Contracts

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|------------------|---|
| Question | Do all persons who perform work for the factory, both on the premises and offsite, have a contract? (Ref 161) |
| Finding | All workers who work for the factory had a contract. Probationary workers were employed under 2-month fixed duration contracts (FDCs). Regular workers were employed under 2-month repeating FDCs. Documents checked: HR records for 20 workers. |
| Source Consulted | Documentation, |
| Legal Reference | LL Art 65 |

Contracting Procedures

| | |
|------------------|---|
| Question | Does the employer include the entire period of continuous employment when determining workers' entitlements to maternity leave, attendance bonus, seniority bonus, and/or annual leave? (Ref 166) |
| Finding | When workers reached 2 years of service in the factory, their contracts were terminated and they were allowed to rest 7 to 10 days before re-employing as new workers. Anyway, their minimum basic wage, seniority bonus, maternity leave, and annual leave entitlement were kept the same. Documents checked: Records of terminated workers after two years of service and payroll for re-hiring in May 2015. |
| Source Consulted | Documentation, Management, Worker, |
| Legal Reference | LL Arts. 9, 10, 73, 166, 169; Notice 017/00 |

Termination

| | |
|------------------|--|
| Question | Does the employer pay workers the correct severance pay? (Ref 171) |
| Finding | The suggestion had been improved. Management provided the 5% severance pay every 6 months. After the last visit, the severance pay included probationary period. Documents checked: The severance pay in July 2015. |
| Source Consulted | Documentation, Management, Worker, |
| Legal Reference | LL Arts. 73, 89, 110; AC 09/05 AC 107/04 (severance pay required for probationary workers on FDCs) |

Question **Does the employer compensate workers for unused paid annual leave when they resign or are terminated?** (Ref 173)

Finding Workers were paid the accrued annual leave 1.5 days per month. Resigned workers who worked 21 days or more for the last month got 1.5 days of annual leave while less than this were not entitled to proportional annual leave. The payment was based on minimum wage. We verbally suggested management to pay accrued annual leave proportionally when workers did not work up to 21 days before resigning and the payment should be based on average monthly earnings, not on basic wage. We will follow-up in the next visit.

Documents checked: Records of resigned workers.

Source Consulted Documentation, Management, Worker,

Legal Reference **LL Arts. 166, 167**

Working Time

Regular Hours

Question **Do regular daily or weekly working hours exceed the legal limit?** (Ref 244)

Finding Normal working hours did not exceed 8 hours per day, 6 days per week (48 hours). Regular working hours were 07:00-11:00 and 12:00-16:00, from Monday to Saturday.

Documents checked: Internal regulations, working hours posted in the workplace, time records for July 2015.

Source Consulted Documentation, Management, Worker,

Legal Reference **LL Arts. 137, 141(1)**

Better Work Clusters and Compliance Points

Better Work carries out factory assessments to monitor compliance with international core labour standards and national labour law, and where national law either fails to address or lacks clarity around a relevant issue regarding conditions at work, according to benchmarks established by Better Work based on international labour standards and good practices. Better Work organizes reporting into eight areas of labour standards, also known as clusters. Four of the clusters are international core labour standards, based on fundamental rights at work and four are based on national labour law relating to working conditions. As such, factory assessments aim to monitor compliance with these areas.

Core labour standards: Adopted in 1998, the ILO Declaration on Fundamental Principles and Rights at Work commits Member States to respect and promote principles and rights in four categories, whether or not they have ratified the relevant Conventions. These categories are: freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced labour, the abolition of child labour, and the elimination of discrimination in respect of employment and occupation. The relevant ILO Conventions from which the 1998 Declaration derives—29, 87, 98, 105, 100, 111, 138, and 182—provide the framework for assessing non-compliance in the core labour standards clusters across all Better Work country programmes.

National labour law: The four other clusters monitor compliance with standards primarily set by national law, so they vary from country to country. This set consists of compensation, contracts and human resources, occupational safety and health, and working time.

Each of the eight clusters is divided into its key components, known as “compliance points”. Each of these compliance points contains specific questions that may vary from country to country. The detailed list of compliance points can be found at the following link:
<http://links.betterwork.org/compliance>