



Trio (Lao) Export Company Limited

Audit Report

KTC Limited

Vientiane, Laos P.D.R.

Date: 24th - 25th May 2012

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Audits conducted by Fair Wear Foundation provide an assessment of the factory's compliance with FWF's Code of Labour Practices, and provide a basis for corrective actions when necessary. FWF does not certify factories, and this report should not be interpreted as certification of the factory by FWF.



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1. The audited company

1.1. Name & address, contact person management

The registered office of the company is located at:

No. 13th North Street, Ban Sikeut, Meuang Nasaythong, Vientiane, Lao P. D.R

The factory that was audited is situated at No. 13th North Street, Ban Sikeut, Meuang Nasaythong, Vientiane, Lao P. D.R.

The following are the contact persons:

Mr. Gerhard Flatz: Managing Director

Mr. Prasit : Fatory Manager

Ms. Monette: Social Compliance & Controller Manager

Ms.Connie Kwok:Marketing and Communications Manager

1.2. Short history

Date of establishment:

5th April 1995

Year of starting business with FWF affiliate:

Trio (Lao) Export Co., Ltd.; starting year of business in 1995.

Type of ownership:

Cooperation between Laos and Austria

Other factories or production sites owned by the factory:

NA.

New factories or production sites planned:

NA.

Workforce turnover rate in recent years (in per cent):

10%

1.3. Ownership of the company

The factory is owned by KTC Limited, trading company. The trading company is also an agent working on exporting goods to EU countries.

1.4. Workforce

	Total No.	Female No.	Male No.
Total number of employees	2110	1860	250
Management and staff	73	46	27
Production workers	2037	1814	223
Apprentices	184	183	1
Juvenile workers	20	20	0
Migrant workers	21	11	10
Pregnant/ maternity leave	37	37	0
Employees paid by time rate	438	287	151
Employees paid by piece rate	1672	1573	99
Permanent employees	1881	1653	228
Fix-term employees	1881	1653	228
Interim agency workers	0	0	0
Workers employed by sub-contractors	0	0	0
Home workers	0	0	0
Other:	0	0	0

1.5. Production process

Processes that take place in the factory:

The manufactory is divided in sections including Raw material and accessories warehouse, Cutting, Printing (heat transfer), Embroidery, Sewing, Finishing, QC and Packing/Loading are compensated by piece rate.

Kind of machines in use:

The main equipments used are single needle machine, interlocking machine, double needle machine, buttoning and button-holes, top-fused machines, special sewing machines, heat transfer machines and etc.



requested was provided, including the payroll and attendance records in year in 2012 and OSH documents. The audit team found that the audit process has yielded sufficient reliable information to be able to draw conclusions and establish requirements on most issues.

However, the audit team cannot rule out the possibility of there being issues of non-compliance that have not been reported in this audit report.

2.3. Time schedule

The audit was conducted on 24th-25th May 2012.

Initial workers interviews were held on 21st May 2012.

Thereafter the audit team visited the factory premises on 24th - 25th May 2012, when the inspection of the factory, the management interviews, the document inspection and some worker interviews were conducted.

2.4. Interview with members of management

The audit team met and had detailed discussions with:

- Mr. Gerhard Flatz : Managing Director
- Mr. Prasit : Factory Manager
- Ms. Monette: Social Compliance & Controller Manager
- Mr. Thomgkhoun: Personnel Supervisor and Head of Safety team
- Ms. Connie Kwok: Marketing and Communications Manager

2.5. Interviews with workers

13 workers were interviewed prior to the date of the audit. Individual meetings were held with them outside the factory premises and outside working hours. The workers were guaranteed that their employer would not know the identity of the interviewees.

Short interviews were also conducted with the workers on the shop floor on the days of the visit to the factory - these were aimed at eliciting technical details that came up during the audit.

In addition, an hour-long meeting was held with 30 randomly selected workers of the factory. This group included workers from different categories and there were both men and women who attended the meeting.

All interviews were conducted in the absence of any staff or management representatives, assuring the respondents total confidentiality of the views that they expressed.

Copies of the translated version of the information sheet for workers were distributed and also pasted on each notice board, and an oral explanation was given particularly to interviewed workers.

The information sheet suggested to workers that they could contact name in case they needed further information about the audit, or wished to report any complaint or grievance related to working conditions in the audited company.

This was also discussed with the management.

2.6. List of documents consulted

General / financial documents:	
Proof of registration or factory licenses for operation, employment, etc.	Available
Policy manuals	Available
Information material about Code of Labour Practices and the FWF, used to inform workers and subcontractors	Available
Flow chart of the production process	Available
Map of the factory, specifying type of operations in every room, including if applicable, the distinctions with other companies/legal entities on the premises	Available
Production records and order records	Available
Labour issues	Available
List of all workers, including date of appointment, gender, birth date, function	Available
Working hours records over the last 3 months, and possibly longer, as to be discussed during the inspection, and an	Available



"attendance register" (who signs this?)	
Overtime register	Available
Records of all employees / personal files specifying names, birth dates (including proof of age), identity document number, sex, function, wage scale, date of employment	Available
Permits for young workers	Available
Leave register, including leave payments Applications for all kinds of leave	Available
Grievance files	Not Available
Disciplinary notices	Available
Employee manuals, (certified) standing orders or factory rules	Available
Contracts between management and recruiting agencies	Not Applicable
Time cards for all employees.	Available
Payroll journals, or wage lists showing base wages, incentive or bonus earnings, gratuity, hours, deductions, net pay and gross pay	Available
All piecework rates and piecework calculations (or other incentive system rates and calculations – base plus, attendance bonuses, quality incentives, etc.)	Available
Payroll deposit slips, payroll checking account ledgers and deposit receipts for tax and benefit deductions	Available
Payroll tax calculations, records and reports	Available
Proof of payment of social security fees	Available

Official authorization for overtime hours	Available
Copies of payslips as handed out to workers	Available
Collective bargaining agreement or any other document specifying the working conditions	Not Available
Employment contracts of all workers	Available
Documentation of elections of workers representatives, either provided by management or the factory union	Not Complete
In cases of 100% union membership: check signatures of workers for agreeing to have union dues subtracted from their wages	Not Applicable
Occupational Health and Safety	Available
Accidents register	Not Complete
Sicknesses register	Available
Fire certificate	Available
Proof of payment for inspection of fire extinguishers, electric appliances, elevators	Available
Maternity leave register	Available
List of pregnant workers	Available
Any other legally required registers concerning the labour laws and labour situation: <ul style="list-style-type: none"> ○ Social Security Organization (SSO) 	Available

Country specific documents:

- NA

2.7. List of consulted local stakeholders

FWF consulted following organisations in 2012:

- Homenet Laos (local Non-governmental organisation, NGO)
- Oxfam Solidaridad Lao Office (international NGO)
- Lao Federation of Trade Unions (national trade union)

3. Detailed findings: Management system requirements

3.1. Sourcing practices of the FWF affiliate

Interviews with management

- KTC Limited is a member of FWF and Trio (Lao) Export Company Limited is a Joint Venture of KTC Limited.
- KTC Limited places orders to Trio (Lao) Export Company Limited. KTC Limited orders are perceived to be stable, priced similar to others in the market. However, the factory feels that KTC Limited is exceptionally communicative and willing to observe the situations of the factory.
- KTC Limited actually involves the factory at the very beginning of designing and developing a product.
- KTC Limited is like a trading firm while the factory is a manufacturer.

Interviews with workers

- Most interviewed workers did not know about FWF but they noted that FWF Code of Labour Practices (CoLP) was posted on the information board. Nevertheless, they did not know how the factory interacts with FWF.

Document inspection

- The sourcing information was disclosed; however, the factory was not able to disclose the price to external party due to the reason of confidentiality.
- All records of order dates, lead-times and date of shipments for the client (engelbert Strauss) is properly kept in documentation.
- Production record which clearly indicates the orders (engelbert Strauss) is properly kept by the factory for reviewing.

Inspection of the work place

- The walk through production floor was observed there was production for KTC Limited : engelbert Strauss is processing in the factory right now.

Consultation of local stakeholders

- Stakeholders do not have specific information regarding the FWF affiliates producing in Laos.
- Stakeholders comment that export oriented garment factories usually have better working conditions than factories producing for the domestic market. The advantage of sourcing from Laos is low price. It is not common for buyers to discuss living wages with factories in Laos.

3.2. Monitoring system of the FWF affiliate to improve working conditions

Interviews with management

- The management reflected that KTC Limited is willing to communicate and understand the situations of the factory.
- The management reflected that the factory was audited by adidas for many years ago. And after the audit, the corrective action and improvement were taken place in order to comply with the fundamental of the social compliance standards.
- The management reported that workers were already communicated about the FWF CoLP. Further, workers were given a staff orientation including the FWF CoLP. Workers can also see the FWF code on the main boards in the factory.

Interviews with workers

- Majority of interviewed workers did not know about the contents of FWF CoLP. However, they were aware of the audits happened.
- Some of them informed that KTC Limited Code of Conduct has posted in the information board in each building, but they did not aware of the content and detail of this information.

Document inspection

- The FWF CoLP was translated into Lao language and observed posted in each production at the information boards as well as the staff orientation also including the FWF CoLP that was given for new worker. Orientation training record was documented.

Inspection of the work place

- The FWF CoLP was observed on information board nearby the main entrance of the factory and each production building & dormitory also posted the CoLP.

Consultation of local stakeholders

- Stakeholders are not aware of the FWF affiliates' monitoring activities.
- Social audits are conducted in many garment factories in Vientian. Most audits are done by audit companies. Stakeholders are seldom consulted on labour conditions by buyers or auditing firms.

3.3. Management system of factory to improve working conditions

Interviews with management

- The factory has made policies, internal rules and regulations, guidelines and procedures on matters related to audits and labour standards. They have systematically kept related documents and records.
- Management stated that workers can raise their complaints/concerns through the worker representatives or labour union or through their supervisors or managers, or write to the suggestion box.

Interviews with workers

- The workers reflected that the factory has informed about KTC Limited (FWF) CoLP and it was trained to all worker; however, the workers are not well aware of the content.
- The workers also have no idea person in charge for the internal social compliance program in the factory so far. They just assumed that the HR team and management will be in charge of this program.
- The workers feel that the labor and working conditions in the factory are good and the relationship between workers and management team is also good.
- They also feel comfortable working in the factory as the work floors are installed the air condition system.

Document inspection

- The factory has established and kept policies, rules and regulations related to labour conditions by personal supervisor and safety management.
- The compliance policies and procedure are trained to all workers as disclosed in the training records.
- There is no formal system to monitor and continuously improve working conditions in the factory.

Inspection of the work place

- Most of information is posted and communicated to workers. Employment contract is provided in Lao language. Copy of employment contract is given to each worker.
- Factory policies, rules, regulations and other announcements are posted and communicated on information board in each production building in the factory.

Consultation of local stakeholders

- Factories in Laos usually do not have formal management system to improve working conditions. In general workers in export oriented factories have better working conditions than those producing for the domestic market.

3.4. Communication, consultation and grievance procedure

Interviews with management

- The factory has developed policies, rules, regulations, guidelines and procedures to handle and document issues related with labour conditions, and the factory has posted and communicated these for workers to know.
- Management stated that workers can raise their complaints through the worker representative, labour union or through their supervisors or managers, or write to the suggestion box.
- Meetings between management and worker representative was not regularly held. The meeting will be held for an important case. Minute of meeting is not formally documented and kept.
- The factory provides a suggestion box that workers are able to raise any problems, concerns and complaints to top management; it will be opened by personal supervisor every months.
- Workers are able to raise any problems through the worker representative, labour union or directly talk to management.
- Communication channel and grievance channel are 1) Workers are able to inform to Supervisor and line leader directly, 2) Workers are able to inform to worker representatives and OSH committee directly, and 3) Via the Suggestion box which is provided in the factory.
- The worker representatives were elected by workers since 2011 and will take the roll of the worker's committee till 2013.
- However, there is no written grievance policy & procedure established and communicated to all workers.

Interviews with workers

- Workers reflected that the management treats them well and are easy to communicate with. They are aware of the channels to complaint such as via supervisors or managers.
- Most of workers are not aware of the established worker representative. Most of them also informed that they did not have an election for worker representative so far.
- Workers are aware of the opinion that it is a useful mechanism, they however do not know the procedure for handling complaints neither they do have confidence in this system.

Document inspection

- The factory and the worker representative hold a meeting. However, the meeting is not regularly scheduled.
- The minute of the meetings of the worker representative is not formally documented and communicated to workers.
- Complaints and the handling of complaints are not developed and documented.
- No written grievance procedure has established and workers do not know and are aware of the procedure for handling complaints. The complaints and their handling are not documented.

Inspection of the work place

- No grievance procedure has been posted nearby suggestion box and information boards.
- The minute of the meetings of the worker representative is not posted and communicated to workers.
- Most of information related to the welfare benefit, updated laws posted and employment contract are provided in Lao language.

Consultation of local stakeholders

- Elected workers committee is not common practice in factories in Laos.
- Some factories do have grievance procedures, but they are not used by workers. Workers are not aware of their rights, thus they do not complain often.

4. Detailed findings: Labour standards

4.1. Employment is freely chosen

Interviews with management

- Management stated that factory does not request any deposit upon hiring.
- The new or unskilled workers will have on the job training.
- The company will pay biweekly about 10th and 25th of each month without any deduction from the worker wage except the deductions are required by law.
- Management informed that all overtime hours are voluntary and all workers can freely accept or refuse overtime work via signing the voluntary overtime application forms.

Interviews with workers

- Workers reflected that they are not required to deposit and retained anything for working in the factory.
- Workers confirmed that they could freely choose to have any overtime work or not by signing the voluntary overtime application forms.
- Workers stated that they can freely access to drinking water and toilet during working hours without any restrictions.
- Overseeing personal belongings was conducted by security guards (separated gender) when the workers entered and left the factory in order to prevent the factory production and properties.

Document inspection

- The payroll records reviewed in Feb, Mar and Apr 2012 reflected that no any deposit is made by workers upon hiring and during working in the factory.
- All workers' personnel files include a copy of identification cards, home confirming letter or home register certificate, application forms and photo. No original IDs are kept. Other documents are well kept in file and reviewed by audit team.

Inspection of the work place

- The notification of new minimum wage which enforced in January 2012 is posted in the prominent board in factory.
- Overseeing personal belongings was conducted when workers entered and left the factory by the security guards.
- Worker can leave the factory compound while they are off duty without any restrictions. And in case of personal emergency, workers

are able to leave the factory by acquiring their supervisor's permission.

- Worker can freely access the toilet, drinking water and medical room during the working hours.

Consultation of local stakeholders

- The Labor Law provides in Article 4 that "Employers shall not use forced labor."
- Most of workers are the first generation of garment workers, usually daughters of farmers from rural areas. No information was found indicated that garment workers are being bonded by any sort of arrangement connected to migration.

4.2. No discrimination in employment

Interviews with management

- Pregnancy test is not required upon recruitment process.
- Workers for the production are required age 16 and above.
- Management stated that factory recruits workers through internal network or via recruitment advertisement posted on the front gate of the factory.
- Management stated that the factory set up a non-discrimination and it is posted in the work place.
- The factory pays for male and female workers at minimum wage (626,000 Kip/month) if they work in the same task.

Interviews with workers

- Worker reported that male and female workers are compensated at minimum wage (626,000 Kip/month) if they work for the same task.
- The factory accepts the applicants without any criteria, only the ability and performance will be considered once joining the firm.
- Female worker informed that factory does not request them to conduct the pregnancy test upon hiring.

Document inspection

- Payroll records in Feb, Mar, Apr 2012 were disclosed that male and female workers were compensated at minimum wage (626,000 Kip/month) if they work in the same task.
- The worker's profile is retained the medical certificate which the pregnancy test was not observed.
- The job recruitment is disclosed criteria of age from 16 years old onwards.

- As review of non-discrimination policy was stated that all workers should be respected and treated equally.

Inspection of the work place

- The job advertisement/recruitment was posted at the factory gate mentioned the age from 16 years onwards. Any discrimination was not observed on the job advertisement.

Consultation of local stakeholders

- Discrimination against women is not easily found in most factories in Laos.
- A research on women's employment by the Lao Women's Union found that women tend to be in "low positions that involve neither management nor decision-making, even with the same educational and work qualifications as their male counterparts".

4.3. No exploitation of child labour

Interviews with management

- There are 20 young workers are hired in the workplace and their ages are about 16-18 years old.
- Young workers were allowed to work overtime with their own willing.
- Most young workers were new-graduated workers and from a school where the factory has supported them.

Interviews with workers

- Most workers noted that the factory do not recruit any worker under 18 years old. They confirmed that there is no child labourer working in the factory.

Document inspection

- Company policy stated that not to hire worker under age 18 year old.
- Age documents of young workers are properly kept on each their personal profile.
- The young workers were allowed to work overtime: 17.00pm to 19.00pm.
- Young worker's wage was paid similarly to normal workers. However, young worker's OT compensation was separated in other set of record. And it was disclosed that they were paid the OT according to the legal limits as the regular workers.
- Young workers were paid in cash.
- Attendance record of young workers were separated from normal worker's recorded.

Inspection of the work place

- The walkthrough factory was conducted and disclosed that some workers looked young.
- No children was observed in the work place and dormitory area.

Consultation of local stakeholders

- The minimum age for working is 15 years old. An employer may employ young workers between 15 and 18 years of age provided that they do not work for more than six hours per day or 36 hours per week.
- The Lao national ID system suffers from significant problems. Many persons especially ethnic minorities are not provided ID cards. Factories sometimes rely on documents provided by local village chief of home village to identify the age of young people. These kind of documents can easily be forged.

4.4. Freedom of Association and the Right to Collective Bargaining

Interviews with management

- The factory assigned old team of worker representatives without renewal of election.
- There are 17 worker representatives in form of employee committee in the workplace.
- Formal meeting was not held and minute of meeting was not documented.
- Labor union was formed with 5 union representatives in place and some of them also held the employee representative in employee committee.
- CBA is not available.
- The workers had slow-down and they were not clear about the wage when factory has adjusted the new wage according to the new wage notification. Factory has explained them about this before applying the new wage. However, after discussion among representative (Union & employees representatives, factory representatives and Bureau union representatives) workers had more clear and agreed then back to work. The slow-down was occurred in 11 Feb 2012.

Interviews with workers

- Workers do not know their rights of collective bargaining in general.

- President of Union stated that management was invited to attend the meeting with the employee committee and OSH committee when they have setup the meeting.
- There are about 320 workers joined the Trio (Laos) Labor Union and member fee was collected at 2,000 kip for every 6 months.
- Trio (Laos) Labor Union committee has held the meeting every 3 months and the minute of meeting was recorded and kept with the Union president.
- On 11 Feb 2012, a number of workers had slow-down/stopped worked as they were not satisfied neither understood about the wage when factory has adjusted the new wage according to the new wage notification. Factory has short noticed the workers about adjusting the new wage; thus, it might be the reason that workers slow-down/stopped working. However, after discussion among representative (union & employees representatives, factory representatives and Bureau union representatives) workers have become more clear and agreed to get back to work.

Document inspection

- The renewal election for employee representative was not held every 2 years since member has been held office for over 2 years.
- The worker representatives was elected in 2007. The election is expired.
- There are 17 representatives in the employee committee.
- Formal meeting was not held and minutes of informal meetings was not documented.
- Trio (Laos) Labor Union was formed with 5 union representatives in place and some of them are also the worker representative in employee committee.
- CBA is not available.

Inspection of the work place

- The chart of Labor Union committee and employee committee posted in the prominent information board in work place and dormintory.
- The information regarding the Bureau union which related to the Trio (Laos) Labor Union also posted in the work place.

Consultation of local stakeholders

- The Labour Law provides workers with the rights of association. However it is generally not enforced, especially in the joint venture and the private sector.
- Collective bargaining is just starting in Laos. Lao Federation of Trade Unions (LFTU) – the solo trade union in Laos – is working on a project

with other stakeholders to negotiate Collective Bargaining Agreements (CBA). At this stage CBA is seen as a tool to implement and enforce labour law.

4.5. Payment of a living wage

Interviews with management

- The factory did not have estimate of a living wage in place. Generally, most workers received the basic salary at 626,000 Kip/month and if they could achieve the production target, they also received the productivity bonus.
- For piece rate, the workers were guaranteed the legal limit. Approximately, workers received about at least 900,000 Kip/month after mandated deduction for social insurance and income tax.
- For line leader or staff, they received the basic salary higher than the legal limit.
- The new minimum wage is guaranteed for all workers: 626,000 Kip per month.
- The company provides the pay slip to the workers for their reference.
- All workers also received attendance bonus and food allowance in each month.
- For skilled sewers, if they can operate the special machines, they also receives more 50% of piece rate done.
- The new workers are paid by cash and old workers are wired through ATM (Phongsavan bank) system.
- Workers are paid twice a month on the 10th and 25th .

Interviews with workers

- The probation period for unskilled workers is one month and for skilled workers is 2 months.
- If wage calculation mistake is found, a worker can claim it back from the accounting department directly by providing the evidence.
- Female workers are entitled to paid maternity leave for 90 days. Their wages are paid by the Social Insurance Department.

Document inspection

- The minimum wage at 626,000 Kip/month is guaranteed to all workers.
- Payslip is issued for the workers before the payday.
- OT premium is 150 % of normal hourly rate on normal working days and 200% of normal hourly rate on Sunday work.

- The social security is applied to workers who pass the probation period.
- Statutory leaves such as sick leave, annual leave, maternity leave, etc are paid according to the local legislation.
- The wage level in the factory does not meet the estimates of living wages provided by key FWF stakeholders.

Inspection of the work place

- The information regarding the compensation such as the calculation method for piece rate, notice of the new minimum wage is posted in the prominent board.

Consultation of local stakeholders

- Stakeholders comment that most export oriented factories comply with minimum wage regulations. At least 80% of all garment factories pay OT premium according to the Labour Law.
- Living wage is not researched by local stakeholders. A rough estimate by one of the stakeholders is 800,000 kip per month (appx. 80 euro).



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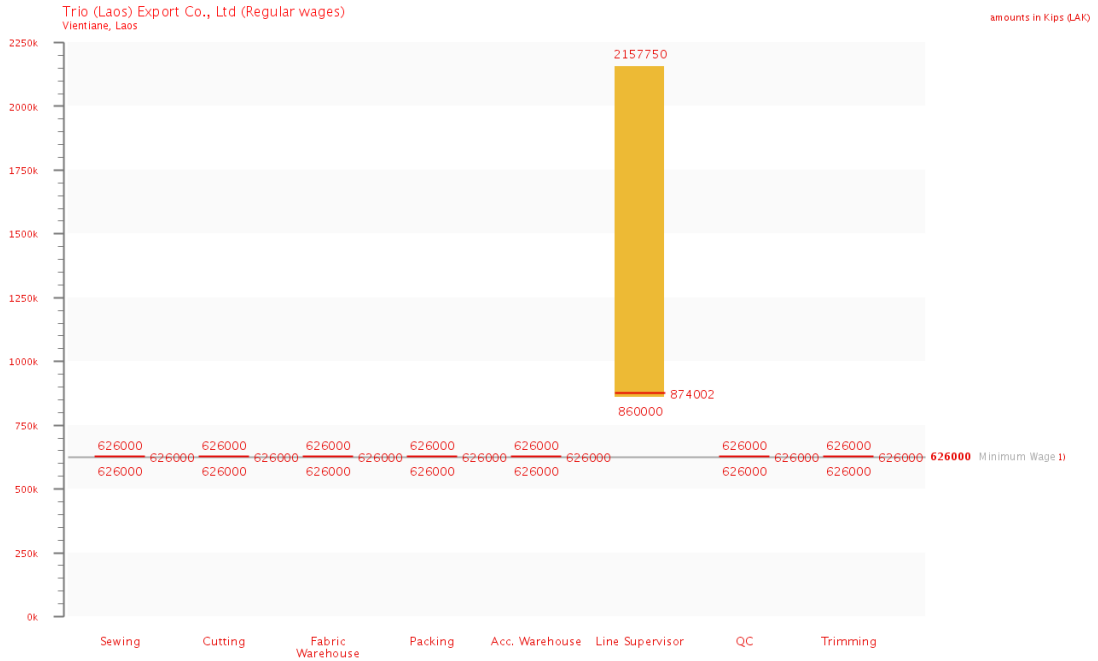
Minimum wage	626,000 Kips per month	Government	For a standard working week (48 hours per week)
Living wage estimate	N/A	N/A	N/A
Best practice wage	N/A	N/A	N/A
Collective Bargaining Agreements (CBAs)	N/A	N/A	N/A
National wage statistics	N/A	N/A	N/A
Cost of living estimates	800,000 Kips per month	Homenet Laos	Rough estimate
Poverty Line / Standard	N/A	N/A	N/A



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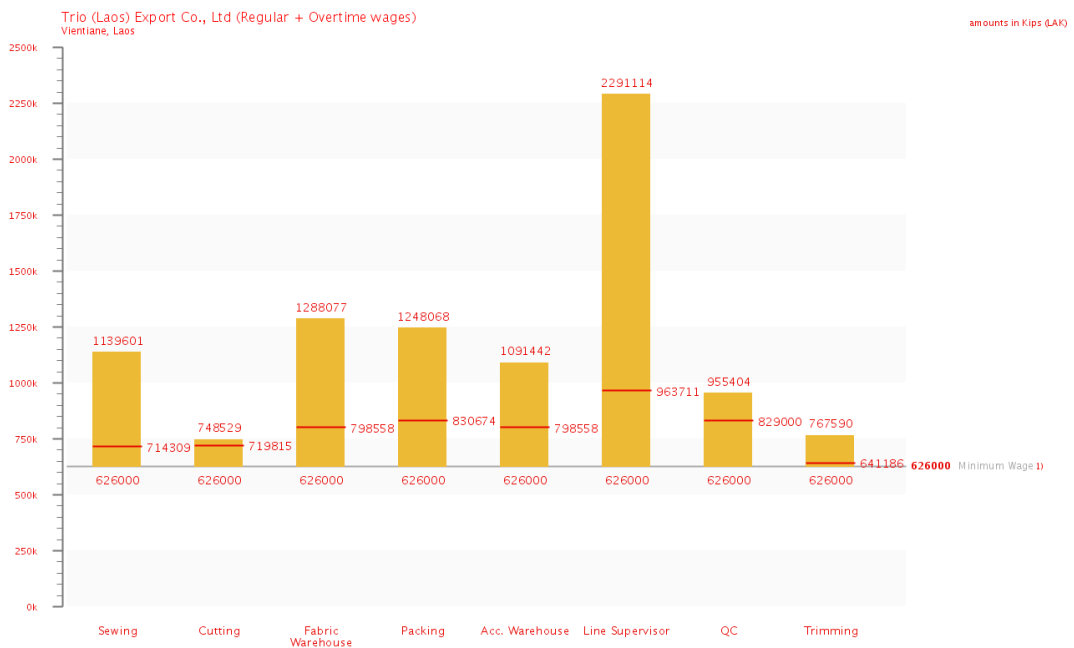
FWF wage ladder

1. Wages for regular working week



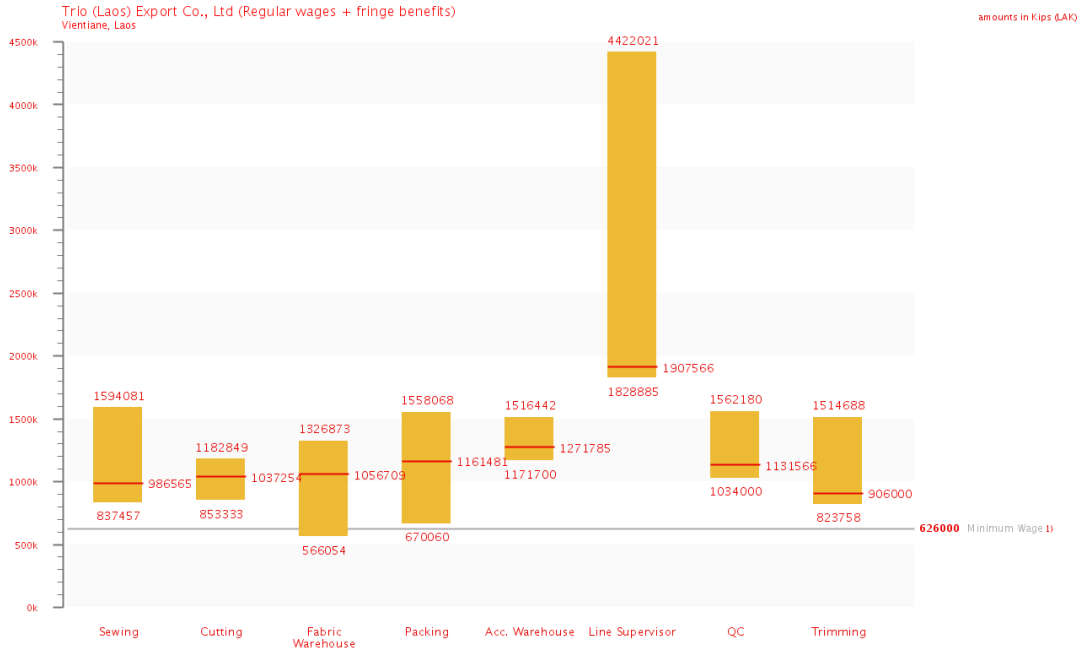
1) Stipulated by the central government (as of January 2012)

2. Wages for regular working hour plus overtime:



1) Stipulated by the central government (as of January 2012)

3. Wages for regular working hour, overtime and fringe benefits:



1) Stipulated by the central government (as of January 2012)

Analysis of wage ladder:

Is the wage level below or above the legal minimum wage?

The minimum wage observed in the payroll from Feb, Mar and Apr 2012 was 626,000 Kip/month which it is in line of the legal limit in Laos.

In what departments are the wages below or above the level of what local stakeholders estimate as a living wage? In what departments is the biggest gap with the estimated of a living wage?

There is no data available regarding living wage in Laos. In this factory, most workers received the basic salary at 626,000 Kip/month and if they could achieve the production target, they also received the productivity bonus. Further, the workers also received attendance bonus and food allowance in each month. For skilled sewers, if they can operate special machines, they also receives 50% more based on piece rate. Piece rate workers are guaranteed to be paid minimum wage. Approximately, workers received about at least 900,000 Kip/month after mandated deduction for social insurance and income tax. For line leader or staff, they received the basic salary higher than the legal limit.

According to one stakeholder, the rough estimate of cost of living is 800,000 Kip/month.

Are there any conclusions to be drawn on differences between male and female dominated departments?

From the payroll in Feb, Mar and Apr 2012, it was observed that there was not different between male and female who works in the same department. They all received at least the basic salary of 626,000 Kip/month with other benefits.

Are there any conclusions to be drawn on differences between the lowest and highest paid wage in a department, or on differences between different departments?

From the payroll in Feb, Mar and Apr 2012, it was observed that most workers received at least the basic salary of 626,000 Kip/month with other benefits. Skilled workers received bonus based on the amount of pieces finished. Skilled sewers received higher bonus thus their total income is higher.

Are there any conclusions on the impact of fringe benefits on the income of workers?

Workers receive the same benefits such as attendance bonus, food allowance, and productivity bonus. Since the factory provides the dormitories for only female workers, male workers are compensated with housing allowance at 15,000 Kip/month.

Are there any conclusions on the impact of overtime on the income of workers?

The OT is paid according to the legal rate. OT premium is 150 % of normal hourly rate on normal working days and 200% of normal hourly rate on Sunday work.

4.6. Reasonable hours of work

Interviews with management

- Regular working is from Monday – Saturday; started from 8.00-17.00 with 1 hour for lunch break. In case of OT requested, there will be started from 17.00. Sunday is a rest day.
- Most workers would like to have more OT since they can earn more income.
- In case urgent, overtime may exceed 12 hours/week. However, the excessive overtime is just occasionally required.
- Workers must be freely willing to work overtime by their own.

Interviews with workers

- Regular working is from Monday – Saturday; started from 8.00-17.00 with 1 hour for lunch break. In case of OT requested, there will be started from 17.00. Sunday is a rest day.

- OT will start at 17.00 to 19.00 (2 hrs. per day), however, sometimes they worked up to 21.00 but it was not required every day or week.
- OT premium is 150 % of normal hourly rate on normal working days and 200% of normal hourly rate on Sunday work.
- Supervisor will inform the workers once the OT is required in early working day. OT is voluntary. If workers do not want to work OT, they need to inform the supervisor or line leader.
- When OT requested, worker must sign the OT log sheet to confirm that they are willing to work. Most of workers said they would like to have more OT.

Document inspection

- The factory uses swipe card to keep track of working time.
- OT permission was applied and approved by the Labor Department. The factory can have more 15 overtime hours in a month which the legislation is normally required the OT should not be more than 45 hours in a month. The OT permission is valid till 20 Jun 12.
- Attendance and payroll in Feb, Mar and Apr 2012 were provided for verification.
- The reviewed payroll and time records in Feb, Mar and Apr 12 were observed that some workers in Accessory Warehouse & Fabric Warehouse departments worked in excess of 60 hours per week occasionally in April 2012. They worked from 61 to 63 hour per week.
- The reviewed payroll and time records in Feb, Mar and Apr 12 were observed that some workers Accessory Warehouse worked for 12 consecutive days without a rest days in April 2012 .
- Some young workers worked overtime; 17.00pm to 19.00pm.
- Inconsistencies were not observed.
- Pregnancy worker is not allow to work overtime.

Inspection of the work place

- Lunch break is 12.00(noon)-13.00pm.
- Workers swipe their card by themselves.

Consultation of local stakeholders

- OT is usually compulsory in joint venture or locally owned garment factories. In factories with Foreign Direct Investment, voluntary OT is applied. Due to low wage level, most workers are interested to take on OT.

Overtime (OT) analysis sheet:

Maximum OT allowed by (local) law or international standard:

Overtime allowed by local law per month is 45 hours/month

Month	Departments							
	Cutting		Sewing		Ironing		QC	
	No. of workers	Ø OT of worker*	No. of workers	Ø OT of worker*	No. of workers	Ø OT of worker*	No. of workers	Ø OT of worker*
April 2012	90	9 hours/month	1578	9 hours/month	30	10 hours/month	37	9 hours/month
March 2012	91	0 hour/month	1576	2 hours/month	30	6 hours/month	38	2 hours/month
February 2012	92	12 hours/month	1591	13 hours/month	30	3 hours/month	38	10 hours/month

Month	Departments							
	Finishing		Packing		Fabric Warehouse		Accessory Warehouse	
	No. of workers	Ø OT of worker*	No. of workers	Ø OT of worker*	No. of workers	Ø OT of worker*	No. of workers	Ø OT of worker*
April 2012	70	10 hours/month	42	15 hours/month	22	28 hours/month	13	18 hours/month
March 2012	68	4 hours/month	41	6 hours/month	17	40 hours/month	13	13 hours/month
February 2012	68	12 hours/month	45	12 hours/month	17	7 hours/month	13	12 hours/month

* Estimated average OT per worker per week in the stated month

Remarks OT table:

In general working hour in this factory does not exceed legal limit.

4.7. Safe and healthy working conditions

Interviews with management

- The factory sets up occupational safety and health team in place to handle and response in occupational safety, health and environment areas.
- The occupational safety and health team holds a meeting in monthly basic but the meeting was not documented.
- PPE is provided to workers with no cost.
- There is a medical room with one full time nurse working on Monday-Saturday from 8:00am-5:00pm. In case of workers sick or accident occurs during OT work, they can ask a medicine from supervisor in their department.

Interviews with workers

- Most of workers did not know the OSH committee members in the factory.
- PPE is provided to workers such as cotton mask in all departments and metal gloves for cutting operators and workers can change a new one with no cost.
- The medical room is provided with one full time nurse working on Mond-Saturday from 8:00am-5:00pm.
- There is a fire alarm system (sound) with connecting to every production floors in all buildings in the factory. Most workers know the different waring alarm between emergency and break time, lunch, out of work.
- Fire drill and emergency evacuation was conducted twice a year and the last fire evacuation was in Apr 2012.
- Pregnancy workers were assigned to work for light task such as trimming or preparing. They were also allowed working OT.
- The orientation on OSH was provided to new workers.
- Annual medical examination was provided with no cost.

Document inspection

- The factory sets up occupational safety and health team in place to handle and response in occupational safety, health and environment areas.
- The occupational safety and health team holds a meeting in monthly basis but the meeting was not formally documented and maintained.
- Fire drill and emergency evacuation was conducted twice a year and the latest twice evacuations were conducted on on 1 Oct 11 and 4 Apr 12.
- Some MSDS of chemicals used are kept. However, it was observed that no MSDS posted in the area of using the chemical (sport-lifting spray), packing department.
- Chemical training was not provided for the workers who have to handle chemical such as spot cleaning stuffs.
- First aid training was held by Red Cross on 26 Apr 12 for 67 workers.
- Working environment test was conducted on 14 Oct 11 to cover in the areas of noise, light, dust and temperature in the workplace. The test result was acceptable as the legal limit.
- According to the local legislation does not have specific requirement for steam boiler, however, the factory sets up internal maintenance and inspection program for 17 steam boilers.
- The orientation on OSH was provided to new workers, for example, safety signs, evacuation plan, fire exit, emergency light, fire alarm, PPE and needle guards.
- The annual medical health check was conducted during 29-31 Oct 11 for 1,325 worker who already passed 3-month working.
- All injuries/accidents were recorded by internal nurse; however, there was no investigation of accident in order to find the root cause and prevent for the accident reoccurrence.
- Only minor accident such as scissor wound a finger, needle poke with a finger, thread cut a finger and finger splashing was observed in the accident records and the factory also confirmed there was no serious accident occurred .
- The factory sets up internal maintenance and inspection program for all machines used in the work place. Thai mechanic was assigned to handle for this area.
- Drinking water test on 21 Mar 12 for both factory and dormitory. The test result was acceptable.
- Maintenance and inspection program are set for all kinds of fire equipments such as fire extinguishers, fire alarm, emergency light, etc. Inspection is regularly conducted in monthly basis. Inspection record is properly documented and kept.

Inspection of the work place

- Fire equipments such as emergency lights, fire alarms, etc. are properly installed in the workstation. Inspection records are also documented and kept near each fire equipment.
- Evacuation plot plans with "Here you are" are posted in the visible places at each operation floor in both Lao and English language.
- Safety sign and safety information such as personal protective equipment (PPE) were posted on the boards and walls.
- First aid box is placed in each production floor and dormitories.
- A number of toilet is sufficient when compare with a number of worker. They are separated by gender. They are clean and hygiene with tissue and solid soap.
- Drinking water stations are sufficient provided to all workers in production areas and dormitories.
- Information of safety policy, inspection sheet of fire extinguisher and machine are posted to communicate the workers .
- The factory provides PPE for workers such as cotton mask and metal gloves with no cost.
- The steam boiler controller and safety manual are posted on the board near boiler machine.
- All production floors/areas have at least two exit doors and they are observed unblocked and unlocked during the factory tour.
- It was observed that the dormitories were too crowded as one building (1,800 sqm) having about 64 female workers staying together.
- No MSDS was observed in the area of using the chemical (sport-lifting spray), packing department.
- All standing workers at ironing and QC section were not provided the floor mat.
- A number of workers in warehouse section were not provided PPE; the belt for supporting back while they have to lift heavy fabric rolls.
- It was observed that the workers in packing section did not wear the earplugs while they were operating with the pneumatic system which is very noisy.

Consultation of local stakeholders

- In general, problems regarding health and safety are found in the following areas: safty signals, chemicals storage, reporting and documenting accidents. High temperature can be found in about 50% of all factories.

- Factories tend to comply with requirements on providing toilets, sufficient lighting for work and limited excessive noise.

4.8. Legally binding employment relationship

Interviews with management

- Workers are automatically registered with the social security organization (SSO) when they join the facility.
- 4.5% will be deducted from worker's basic wage for social security payments and another 5% will be added by the factory.
- The factory informs workers about the social welfare benefits they are entitled to, such as medical care benefits that their right to visit the doctor free of charge when they are sick, long term and short term benefits and workplace related benefits.

Interviews with workers

- Most workers are not aware of the employment contract. Some say they have never seen any employment contract.
- 4.5 % is deducted from the workers basic wage for the social security fund and another 5% is added by the factory.
- The workers have the social security card which enables them to visit the doctor free of charge that is one out of social welfare benefits they are entitled.

Document inspection

- According to the payroll registers review, 4.5% is deducted from workers salary and 5% is added by the company for the social security payments.

Inspection of the work place

- The information regarding the social security benefits (SSO) is posted in the prominent board in work place.

Consultation of local stakeholders

- Many factories do not ensure that written employment contracts are concluded between the factory and their employees.
- Enterprises with more than 10 employees are required to subscribe to the social security system. All workers, both full-time and part-time, are required to be registered.
- Not all enterprises have joined the social security scheme, but the number of insured workers is increasing in the recent years.



4.9. Special positive points of interest

Upon completion of the audit, a closing meeting was conducted during which, all the located concern with their requirement and recommendation were discussed with management. The audit at the facility revealed several concerns. The management was receptive to the recommended changes.

Annex: corrective action plan (Excel)