



FAIR LABOR  
ASSOCIATION®

## INDEPENDENT EXTERNAL ASSESSMENT REPORT



### Verification Assessment

COMPANIES: Hugo Boss AG  
COUNTRY: China  
ASSESSMENT DATE: 09/11/19  
ASSESSOR: Openview  
PRODUCTS: Apparel  
NUMBER OF WORKERS: 1035

## Summary of Code Violations

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

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

FLA Code Element	Number of Violations
Hours of Work	1
Employment Relationship	3
Health, Safety, and Environment	2

## Previous Report Findings and Verification Results

### PREVIOUS FINDING NO.1

#### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Compensation

##### Finding Explanation

1. The factory does not provide social insurance based on workers' actual wages, as required by law. The factory provides all five types of legally mandated social insurances to all workers whose monthly wages range from CNY 1804 (USD 269.92) to CNY 8547 (USD 1278.82), but the social insurance was paid based on the local minimum contribution base of CNY 1510 (USD 225.97), rather than their actual monthly wages. 2. The factory does not contribute to the legally required Housing Provident Fund. 3. The factory does not have a reliable or effective time keeping system to record working hours for all workers. Due to discrepancies between attendance records and the electronic production tracking system, the accuracy of the payment records and overtime wages cannot be verified.

##### Local Law or Code Requirement

The PRC Labor Law, Articles 44, 48, 72 and 73; The Housing Fund Management Regulation, Articles 15 and 17; FLA Workplace Code (Employment Relationship Benchmarks ER.2.1, ER.22, ER.23.2, ER.23.3; Compensation Benchmarks C.1, C.5, C.7, C.15, and C.16.1.1)

##### Recommendations for Immediate Action

1. Calculate social insurance contributions based on workers' actual monthly wage. 2. Maintain complete and accurate worker payroll records for all workers.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

The factory has basically complied to the requirements of the Chinese local labor law, but they hesitate to work beyond such requirements in order that they would like to remain competitive in today's cut-throat manufacturing industry.

#### Planned completion date

05/04/17

## Action Plan no 2.

### Description

The factory has basically complied to the requirements of the Chinese local labor law, but they hesitate to work beyond such requirements in order that they would like to remain competitive in today's cut-throat manufacturing industry.

### Planned completion date

05/04/17

## Action Plan no 3.

### Description

The factory has already an electronic time keeping system in place at the entrance separating the dormitory and the production facility. They are using that as their master for attendance.

### Planned completion date

05/04/17

## VERIFICATION RESULT

### Finding Status

Partially Remediated

### Remediation Details

1. (Not Remediated) The factory provides all five types of social insurance to all eligible workers. However, the contribution base of the five types of social insurances is not in line with legal requirements. The factory contributes to pension insurance based on CNY 3,376 (USD 478) per month, contributes to medical insurance based on CNY 2,890 (USD 409) per month, and contributes to work-related injury, unemployment and maternity insurances based on CNY 1,720 (USD 243) per month, all of which are local minimum contribution base and not in compliance with legal requirement of contribution based on worker's average monthly wage of previous year, ranging from CNY 2,000 (USD 283) to CNY 10,000 (USD 1,415). [C.10.1]

2. (Not Remediated) The factory does not contribute to the legally required Housing Provident Fund. [ER.22.1]

3. (Remediated) The factory has a reliable time recording system to track working hours for all workers. The accuracy of the payment records and overtime wages can be verified.

### Local Law or Code Requirement

Social Insurance Law of the PRC, Article 12 and Article 60; Regulations on Management of Housing Provident Fund, Article 15. FLA Workplace Code (Employment Relationship Benchmark ER.22; Compensation Benchmark C.10)

### Recommendations for Immediate Action

1. Contribute to social insurance based on worker's average monthly wage of previous year.

2. Provide Housing Provident Fund to all eligible workers.

## Action Plan no 4.

### Description

1.The factory should calculate social insurance contributions based on workers' actual monthly wage.

2.The factory shall contribute to the legally required Housing Provident Fund.

### Planned completion date

05/04/17

### Company Action Plan Update

1.The calculation at the factory is according to local government policies. (Evidence will be provided)

2 The factory has first purchased a housing fund for management personnel, and then plans on gradually purchase housing fund for the whole plant.

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Hours of Work

##### Finding Explanation

1. There are discrepancies between the attendance records and the electronic production tracking system. For line three of the sewing workshop, the system shows output records at 19:28, 20:04 and 20:30 respectively on September 2, 2016. The daily production records of the washing workshop show output from 18:35 to 19:10 on July 21, 2016 and from 18:40 to 20:00 on August 31, 2016. The records of the cutting workshop (taken from the Identified Certificate card resetting records) record resetting data from 20:00 to 21:00 on May 4, 2016 and from 19:00 to 21:30 on April 20, 2016. Although workers confirmed working overtime during the aforementioned times, the attendance records did not record overtime for the workers on these days. The factory did not keep the time records for these overtime hours. 2. The monthly overtime hours for 80% of general workforce (workers in all departments) exceeded the legal limit of 36 hours per month, ranging from 38 to 58 hours in the past year from September 2015 to August 2016 except for February 2016 (Chinese New Year holidays fell). 3. The factory's production target requires workers to work 60 hours per week (40 regular hours plus 20 overtime hours) on a regular basis.

##### Local Law or Code Requirement

The PRC Labor Law, Article 41; FLA Workplace Code (Employment Relationship Benchmarks ER.2.1, ER.23.2, ER.23.3, and ER.23.5; Hours of Work Benchmarks HOW. 1.1 and HOW. 8.1)

##### Recommendations for Immediate Action

1. Adopt a reliable and effective time keeping system to record working hours for all workers. 2. Ensure that workers do not work more than the legal limit of 36 hours of overtime per month. 3. Do not include overtime in production planning. 4. FLA affiliate Company's Sourcing and Social Compliance teams should implement FLA Principles of Fair Labor and Responsible Sourcing and, to help the factory address its excessive hours issue, coordinate accordingly on the following topics: how to provide better order forecasts to the factories; possible workshops/consultancy for the factory on how to improve productivity/quality; clear guidelines on how to extend shipment deadlines in case of contingencies; steps that factory management must follow if overtime is inevitable; clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks; and clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

The factory has set a ceiling on overtime work. Furthermore, they have created incentives for the team to work more efficiently and lesser overtime. The factory will adopt a system that the team may leave the workplace once the daily production target is achieved.

##### Planned completion date

05/04/17

##### Company Action Plan Update

05/16/17 : in progress

#### Action Plan no 2.

##### Description

The factory has set a ceiling on overtime work. Furthermore, they have created incentives for the team to work more efficiently and lesser overtime. The factory will adopt a system that the team may leave the workplace once the daily production target is achieved.

##### Planned completion date

05/04/17

##### Company Action Plan Update

05/16/17 : in progress

### Action Plan no 3.

#### Description

The factory has an electronic time keeping system at the entrance in place, which separates the dormitory and the production facility. They are using that as their master for attendance.

#### Planned completion date

05/04/17

## VERIFICATION RESULT

#### Finding Status

Partially Remediated

#### Remediation Details

1. (Remediated) There is no discrepancy between the attendance records and production records.
2. (Not Remediated) According to time records from September 2018 to September 10, 2019 and worker interviews, monthly overtime for 80% of workers exceeded legal limit of 36 hours in all reviewed months except February 2019, with an average of 65 overtime hours in a month and a maximum of 73 overtime hours in August 2019. [HOW.1.1]
3. (Not Remediated) The factory production plan is based on 55.5 hours per week. The factory management sets production targets and production system at a level that workers need to work 15.5 overtime hours per week. [ER.24]

#### Local Law or Code Requirement

Labor Law of the PRC, Article 41. FLA Workplace Code (Employment Relationship Benchmark ER.24; Hours of Work Benchmark HOW.1)

#### Recommendations for Immediate Action

1. Ensure overtime hours do not exceeded 36 in a month.
2. Set production plan based on regular working hours. Adjust production targets so that workers do not need to work overtime to meet them.

### Action Plan no 4.

#### Description

2. The factory must ensure that the workers do not work more than the legal limit of 36 hours of overtime per month.
3. The factory must not include overtime working in production planning

#### Planned completion date

05/04/17

#### Company Action Plan Update

2. The factory improved production indicators and control overtime to meet the highest legal requirements. (Evidence will be provided)
3. The factory improved production planning. (Evidence will be provided)

## PREVIOUS FINDING NO.3

## IMMEDIATE ACTION REQUIRED

## FINDING TYPE: Environmental Protection

#### Finding Explanation

The factory has not resubmitted its environmental impact assessment documents since adding the embroidery process to production in 2013.

#### Local Law or Code Requirement

The PRC Environmental Impact Assessment Law, Article 24; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.4)

#### Recommendations for Immediate Action

Re-submit the environmental impact assessment document and get approval from local environmental protection bureau.

### COMPANY ACTION PLANS

#### Action Plan no 1.

##### Description

The embroidery process was implemented after the environment impact assessment document was approved. Unfortunately the impact assessment document is very costly and time consuming as it involves many local government departments.

As the embroidery process is a very low risk on the environment the factory hopes to have the assessment in future.

01/01/2018

##### Planned completion date

05/04/17

### VERIFICATION RESULT

#### Finding Status

Not Remediated

#### Remediation Details

1. (Not Remediated) The factory has not resubmitted its environmental impact assessment documents since adding the embroidery process to production in 2013. [HSE.4]

#### Local Law or Code Requirement

The PRC Environmental Impact Assessment Law, Article 24. FLA Workplace Code (Health, Safety and Environment Benchmark HSE.4)

#### Recommendations for Immediate Action

1. Resubmit the environmental impact assessment document and get approval for the embroidery process from local environmental protection bureau.

#### Action Plan no 2.

##### Description

The factory should re-submit the environmental impact assessment document and get approval from local environmental protection bureau.

##### Planned completion date

05/04/17

##### Company Action Plan Update

For the factory the local government did not require the approval of the environmental impact assessment for the new car decoration process.(Evidence will be provided)

### PREVIOUS FINDING NO.4

### IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

#### Finding Explanation

1. The factory did not obtain an occupational disease hazard assessment report before beginning operations in 1992. It has never conducted an assessment of the current condition of occupational disease hazards, as legally required.
2. The factory provides annual occupational health examinations to the workers who are in contact with chemicals or decibel noise in the washing workshop, detergency process, and embroidery workshop . However, the factory does not provide occupational health examination to these workers before they take and leave their posts.
3. The factory has not provided seated workers with chairs that are adjustable and have backrests, in order to minimize workers' injuries. The factory also does not provide standing workers with anti-fatigue mats.
4. The factory does not train loading workers on lifting techniques or provide loading workers with lifting belts. 5. The factory has installed insufficient guardrails for three lifting platforms (which are about 1.8 meters in height) in the raw material and accessory warehouse. The height of the current guardrail is about 0.5 meter, which is less than the legally required 0.9 meter.

#### Local Law or Code Requirement

The PRC Law of Prevention and Control of Occupational Diseases, Articles 17, 20 and 36; Safety Requirements for Fixed Steel Ladders and Platform, Part 3; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.14.1 HSE.17.1, and HSE.17.2)

#### Recommendations for Immediate Action

1. Arrange for a licensed service provider to conduct an assessment of the current condition of occupational disease hazards. Review and respond to any imminent hazards.
2. Provide occupational health examination to workers who are in contract with chemicals or high decibel noises before they take and leave the posts.
3. Provide lifting belts to all loading workers and train workers on their proper use.
4. Install a guardrail no less than 0.9 meter on the lifting platforms.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

The factory agreed to consult an external expert to obtain an occupational disease hazard assessment.

#### Planned completion date

05/04/17

### Action Plan no 2.

#### Description

The factory has provided the examination to workers on an annual basis (also before hiring and resinging).

#### Planned completion date

05/04/17

### Action Plan no 3.

#### Description

The factory has purchased the required chairs and fatigue mats.

#### Planned completion date

05/04/17

#### Action Plan no 4.

#### Description

The factory has organized posters on lifting techniques and has provided belts.

#### Planned completion date

05/04/17

#### Action Plan no 5.

#### Description

The factory has installed the required guardrails.

#### Planned completion date

05/04/17

## VERIFICATION RESULT

#### Finding Status

Partially Remediated

#### Remediation Details

1. (Not Remediated) While it is no longer possible for the factory to obtain an occupational disease hazard assessment, the factory has never conducted an assessment of the current condition of occupational disease hazards, as legally required. [HSE.1]
2. (Partially Remediated) The factory provides pre-job and on-job occupational health examinations to workers with hazardous exposure to chemicals, high noise, and dust. However, the factory does not provide post-job occupational health examinations to those workers. [HSE.1]
3. (Partially Remediated) The factory has provided anti-fatigue mats to standing workers. However, the factory does not provide adjustable chairs with backrests to sitting workers. [HSE.17.1]
4. (Remediated) The factory has trained loading workers on lifting techniques and provided them with lifting belts.
5. (Remediated) Two out of three lifting platforms are no longer in use. There is only one lifting platform in the raw material and accessory warehouse and the factory has installed sufficient guardrails on it as per legal requirement.

#### Local Law or Code Requirement

The China Law of Prevention and Control of Occupational Diseases, Article 17, Article 18 and Article 35. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.17)

#### Recommendations for Immediate Action

1. Provide post-job occupational health examination to workers with hazardous exposure to chemicals, decibel noise and dust.

#### Action Plan no 6.

#### Description

1. The factory needs to arrange for a licensed service provider to conduct an assessment of the current condition of occupational disease hazards. Review and respond to any imminent hazards.
2. The factory needs to provide occupational health examination to workers who are in contract with chemicals or high decibel noises before they take and leave the posts.
3. The factory shall provide seated workers with chairs that are adjustable and have backrests, in order to minimise workers' injuries.

Planned completion date

05/04/17

Company Action Plan Update

1. According to the policy requirements of the local government, the occupational hazards in the workplace have been tested.  
(Evidence will be provided)

2. The factory provided pre job, on job and post job occupational health examination for workers exposed to hazardous chemicals, high noise and dust as required. (Evidence will be provided)

3. The factory decided, that after trying out many kinds of armchairs, they won't be replacing the chairs with back chairs as the request of employees.

(Evidence will be provided)

## PREVIOUS FINDING NO.5

### IMMEDIATE ACTION REQUIRED

#### FINDING TYPE: Health & Safety

Finding Explanation

1. The factory does not have a backup battery installed for the fire alarm system.
2. The factory has installed incandescent lamps rather than anti-explosive lighting in the finished goods storage area on the second floor and packing material storage area on the fourth floor of the production building.
3. The factory has not posted the evacuation map on each floor of Building A and B of the dormitories.

Local Law or Code Requirement

The PRC Fire Prevention Law, Article 16; Rules on Administration of Fire Safety in Warehouses, Article 38; FLA Workplace Code (Health, Safety and Environment Benchmark HSE.1, HSE.5.1 and HSE.13)

Recommendations for Immediate Action

1. Install a backup battery for the fire alarm system.
2. Install anti-explosive lighting in finished goods and packing materials storage area.
3. Post evacuation maps on each floor of all dormitory buildings.

### COMPANY ACTION PLANS

#### Action Plan no 1.

Description

The fire alarm system is fully approved by the local Fire Brigade.

The factory will study the options though of including an additional backup battery to further enhance the system.

01/01/18

Planned completion date  
05/04/17

#### Action Plan no 2.

Description  
The factory has installed the anti-explosive lightning.

Planned completion date  
05/04/17

#### Action Plan no 3.

Description  
The factory has posted the evacuation map on each floor of Building A and B of the dormitories.

Planned completion date  
05/04/17

## VERIFICATION RESULT

Finding Status  
Remediated

Remediation Details

1. (Remediated) The factory has installed a backup battery for the fire alarm system.
2. (Remediated) The factory has installed anti-explosive lighting in the finished goods storage area and packing material storage area.
3. (Remediated) The factory has posted evacuation maps on each floor of Dormitory Building A and B.

## New Findings and Action Plans

### NEW FINDING NO.1

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. The job application form used for all positions includes questions regarding age, gender and marital status, which might lead to discrimination in the recruitment process. [ND.2]
2. The factory requires workers to sign a 3-year labor contract that stipulates an extended probation period of 6 months, which is in line with the legal requirement. However, according to the FLA Code and Benchmarks, the probation period shall not exceed 3 months. Currently 88 out of total 882 workers (10%) are in probation. [C.3]

Local Law or Code Requirement

FLA Workplace Code (Non-discrimination Benchmark ND.2; Compensation Benchmark C.3)

#### Recommendations for Immediate Action

1. Remove questions regarding an applicant's age, gender, and marital status from the job application form.
2. Change all existing workers' probation to 3 months and sign contract with new workers with a maximum of 3-month probation.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

The factory needs to remove questions regarding an applicant's age, gender, and marital status from the job application form.

#### Company Action Plan Update

The factory has updated their employee registration form. (Evidence will be provided)

### Action Plan no 2.

#### Description

The factory needs to change all existing workers' probation to 3 months and sign contract with new workers with a maximum of 3-month probation.

#### Company Action Plan Update

The factory has changed the probation period of new employees to three months. (Evidence will be provided)

## NEW FINDING NO.2

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Industrial Relations

#### Finding Explanation

1. No workers are provided with a copy of the Collective Bargaining Agreement (CBA) and none of the interviewed workers are aware of the CBA. [ER.16.2]

#### Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.16)

#### Recommendations for Immediate Action

1. Provide workers with a copy of the CBA.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

The factory should provide a copy of the CBA to the workers.

#### Company Action Plan Update

The factory hung a copy of the collective contract wage on the bulletin board for employees for referring to. (Evidence will be provided)

## NEW FINDING NO.3

## IMMEDIATE ACTION REQUIRED

### FINDING TYPE: Health & Safety

#### Finding Explanation

1. The factory does not conduct an inspection of the lightning protection system annually. The last inspection was conducted in October 2017. [HSE.13]

#### Local Law or Code Requirement

Technical Specifications for Inspection of Lightning Protection System in Building, Article 6. FLA Workplace Code (Health, Safety and Environment Benchmark HSE.13)

#### Recommendations for Immediate Action

1. Conduct an annual inspection on lightning protection system and maintain inspection reports.

## COMPANY ACTION PLANS

### Action Plan no 1.

#### Description

The factory needs to conduct an annual inspection on lightning protection system and maintain inspection reports.

#### Company Action Plan Update

The factory arranged a testing organization to test and maintain the lightning protection facilities. (Evidence will be provided)