



FAIR LABOR
ASSOCIATION®

INDEPENDENT EXTERNAL ASSESSMENT REPORT



COMPANIES: Hugo Boss AG
COUNTRY: Vietnam
ASSESSMENT DATE: 10/07/20
ASSESSOR: Openview
PRODUCTS: Other
NUMBER OF WORKERS: 1345

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
Compensation	2
Hours of Work	5
Employment Relationship	1
Health, Safety, and Environment	11
Nondiscrimination	2

Findings and Action Plans

FINDING NO.1

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. When workers are transferred to other positions with a lower wage rate, the factory starts to pay the reduced wage from the effective transfer date, which is not in line with the legal requirement of keeping the previous higher wage rate for 30 working days from the effective transfer date. For instance, one worker previously working as team leader, was transferred to a sewing operator position on August 1, 2020 due to a production and business demand. The wage rate for the team leader is VND 4,962,000/month (USD 213/month) while the wage rate for sewing operator is VND 4,855,542/month (USD 208/month). The factory started to pay the reduced wage rate of VND 4,855,542/month (USD 208/month) from August 1, 2020, rather than keeping the previous higher wage rate of VND 4,962,000/month (USD 213/month) for 30 working days from August 1, 2020. [C.1]

2. The factory provides a fixed allowance of VND 300,000/month (USD 13/month) to a total of six forklift drivers. However, the factory does not include the fixed allowance when calculating overtime compensation and contributing to the mandated insurance for those forklift drivers. [C.1, C.7]

3. The factory does not include the six months of maternity leave, which is not covered by unemployment insurance, when calculating severance allowance. [C.1, C.6]

4. The factory does not include the six months of maternity leave, when calculating and compensating the annual leave balance at the time of contract termination. [C.1, C.6]

Local Law or Code Requirement

The Vietnam Labor Code, Article 31, Article 96, Article 106 and Article 114; Circular 23/2015/TT-BLDTBXH, Article 3 and Article 4; Circular 47/2015/TT-BLDTBXH, Article 4; Law on Social Insurance, Article 89. FLA Workplace Code (Compensation Benchmarks C.1, C.6 and C.7)

Recommendations for Immediate Action

1. <!--[endif]-->Pay previous higher wage rate for 30 working days from the effective transfer date when workers are transferred to other

positions with lower wage rate.

2. <!--[endif]-->Calculate overtime compensation and contribute to the mandated insurance based on the basic wage and fixed allowances as per the legal requirement.
3. <!--[endif]-->Include maternity leave to calculate severance allowance. Pay female workers who take full six months of maternity leave one half of monthly wage as severance allowance.
4. <!--[endif]-->Include maternity leave to calculate and compensate the annual leave balance at the time of contract termination.

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. Overtime hours exceed the legal limit of four hours per day and 30 hours per month. Time records for three sample months of August 2020, March 2020 and October 2019 indicate that one out of 25 sample workers worked 4.5 overtime hours per day on 20 weekdays in October 2019, and 17 out of 25 sample workers worked more than 30 overtime hours in all three sample months, with a maximum of 109 overtime hours in October 2019. [HOW.1.1]
2. Total working hours exceed 60 hours in a week. Time records for three sample months of August 2020, March 2020 and October 2019 indicate that the weekly working hours for 17 out of 25 sample workers exceeded 60 hours in one week per month in all three sample months, with a maximum of 73.5 hours in October 2019. [HOW.1.3]
3. Workers are not always provided with one day off for every seven-day work period. Time records for three sample months of August 2020, March 2020 and October 2019 indicate that one out of 25 sample workers worked thirteen consecutive days twice in August 2020. [HOW.2]

Local Law or Code Requirement

The Vietnam Labor Code, Article 106. FLA Workplace Code (Hours of Work Benchmarks HOW.1 and HOW.2)

Recommendations for Immediate Action

1. <!--[endif]-->Ensure overtime hours do not exceed legal limit of four hours per day and 30 hours per month.
2. Control total working hours do not exceed 60 hours in a week.
3. <!--[endif]-->Provide workers with at least one day off (24-consecutive hours of rest) for every seven-day work period.

4. <!--[endif]-->Ensure that overtime is not included as a general practice into the factory's production planning. FLA affiliate Company's Sourcing and Social Compliance teams should:

1) Implement FLA Principles of Fair Labor and Responsible Sourcing and

2) Accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:

a. How to provide better order forecasts to the factories;

b. Possible workshops/consultancy for the factory on how to improve productivity/quality;

c. Clear guidelines on how to extend shipment deadlines in case of contingencies;

d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams);

e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks;

f. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

FINDING NO.3

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. FLA Comment: Vietnam has not ratified ILO Convention 87. Under Vietnamese law, all unions are required to affiliate with the single trade union, the Vietnam General Confederation of Labor (VGCL), which is affiliated with the Communist Party. With respect to such union monopolies, the ILO Committee on Freedom of Association has stated that "the rights of workers to establish organizations of their own choosing implies... the effective possibility of forming... [trade unions] independent both of those which exist already and of any political party." Vietnam's legal framework is therefore not compatible with the ILO Principles on Freedom of Association and, as such, all factories in Vietnam fail to comply with the FLA Code standard on Freedom of Association. [FOA.2, FOA.10]

Local Law or Code Requirement

FLA Workplace Code (Freedom of Association Benchmarks FOA.2 and FOA.10)

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory provides an occupational health examination to a total of ten laser operators every six months, which is in line with the legal requirement. However, the factory has never provided an occupational health examination to the other workers with heavy or hazardous jobs, including cutting operators, sewing operators, and workers working with chemicals. [HSE.1]

2. The factory has arranged motorbike parking in three of four traffic lanes in the factory premises. [HSE.5.1]

3. The factory has installed sliding doors at two out of nine emergency exits in Workshop K3-2, two out of 12 emergency exits in Workshop K3-4, and two out of 12 emergency exits in Workshop K3-6, while local law requires that exit doors should open in the direction of evacuation. [HSE 5.1]

4. The factory has not provided earplugs to a total of 42 die-cutting operators in Workshop K3-2, Workshop K3-4, and Workshop K3-6. [HSE.7]

Local Law or Code Requirement

LAW No. 84/2015/QH13, Article 21; DECREE No. 79/2014/ND-CP, Article 7g; QCVN 06/2010/BXD, Clause 3.2.3; LAW 84/2015/QH13, Article 7. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1, HSE.5 and HSE.7)

Recommendations for Immediate Action

1. <!--[endif]-->Provide an occupational health examination to all workers with heavy or hazardous jobs every six month, as per the legal requirement.
2. <!--[endif]-->Keep all traffic lanes clear at all times.
3. <!--[endif]-->Replace all sliding doors and ensure exit doors are open in the direction of evacuation.
4. <!--[endif]-->Provide earplugs to all die-cutting operators.

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Both 209-liter oil drums have no bonding or grounding in the chemical warehouse. [HSE.9.1]
2. 20 out of 30 xylene and acetone cans in the chemical warehouse have no labels. [HSE.9.1]
3. The factory does not post the safe operating procedures for the UV system and the carton board cutting machine next to the finishing area of Workshop K3-2, the sanding machine in Workshop K3-2, and the three drilling machines in the Laser Department. In addition, all those machines have no safety warning labels. [HSE.14.3]
4. The factory has never conducted an inspection for the pressure vessel (capacity: 500 liters, maximum pressure: ten bar) in the fire pump house. [HSE.14.1]

Local Law or Code Requirement

TCVN 5507: 2002, Clause 5.1.12; Law No. 84/2015/QH13, Article 16; Decree No. 36/2019/TT-BLĐTBXH; Law No. 06/2007/QH12, Article 27. FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.9 and HSE.14)

Recommendations for Immediate Action

1. <!--[endif]-->Have all primary oil containers bonded and grounded in the chemical warehouse.

2. <!--[endif]-->Label all chemical containers with chemical name, main hazard, ingredient and Chemical Abstract Services (CAS) number.
3. <!--[endif]-->Post the safe operating procedures and safety warning labels for all machines.
4. <!--[endif]-->Contract authorized organizations to conduct inspections for the pressure vessel. Carry out periodic inspections before the expiration date in a timely manner.