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Project: Modern Textile Industry as Attractive Career
Path for Young Generations and Contributor for
Economic Development and Social Prosperity of
Cross Border Region

***Book of rules and
Standard operational
procedures for
implementation of social
standards***

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1. Introduction

Human rights are the basic rights of each human being, independent of race, sex, religion, political opinion, social status, or any other characteristic. Through international human rights conventions, countries and governments commit to respect, protect, promote and fulfil the human rights of their citizens and other individuals within and beyond their borders. A list of the human rights is contained in the Universal Declaration, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights. Businesses should also be aware of the core conventions of the International Labour Organisation.

At this moment, there are number of reasons why businesses should involve human rights in their policies and practices. Businesses increasingly need a stable international environment in which to operate, with sustainable markets and a “level playing field” of opportunities. Human rights offer a common framework for businesses to understand societies’ expectations and deliver value to stakeholders in a more sustainable way. This Book of Rules demonstrates that, in a business context, advancing human rights is as much about realizing new opportunities and managing risk as it is about meeting essential global standards.

For business, human rights provide a universal benchmark for minimum standards of behaviour. Many national laws and regulations have evolved as a result of a State’s obligation to implement human rights standards. Business must, of course, observe such laws in all countries and jurisdictions in which they operate.

Textile industry is important pillar for economic development within the North Macedonia – Bulgaria border region. The industry includes more than 120 companies from both sides of the border, employing more than 30% of the labor force. The growing global competition, have put the industry in front of many challenges like the reduction of the labour market, deterioration and existence of unfair competition. The textile industry in the region shows ability for fast response and adaptation on the clients’ needs. And its vitality and agility is considered as big advantages of the cross border region. However, the sector suffers from the lack of young and educated workforce, as one of the biggest constrains for developing competitiveness of the industry. Due to these problems there is a need for joint performance of all industry stakeholders in terms of developing common industry image, through cooperation, training of stakeholders and joint market approach. Project "Modern Textile Industry as Attractive Career Path for Young Generations and Contributor for Economic Development and Social Prosperity of Cross Border Region" proposes solution of the above-mentioned problems by fostering regional image of industry that is socially and ethically responsible. The project will continue the activities on the regional Quality Mark Trusted Balkan Apparel, and will support the industry modernization.

The activities on the regional Quality Mark Trusted Balkan Apparel started in 2017 when Regional Board was established and promoted. This non-formal body of 3



people from Bulgaria and 3 people from Macedonia implemented activities defined in the Action plan and provided engagement form other companies in the sector. It was the main driver of the Regional Vision, body which issued the certificates to the companies that own the Quality Mark Trusted Balkan Apparel through which companies are recognized as highly reliable partners that are socially responsible towards their employees and community and are respecting principles of ethical working.

A Regional Board together with trained mentors from both countries will spread the principles of social responsibility by introducing colleagues and members to the rules and principles of social responsibility described in this Book of rules and Standard operating procedures.



2. Summary for corporate responsibility

Companies rarely start their corporate responsibility work from scratch. However, it may be that human resources management, environmental work or collaboration with partners are not yet handled under the topic of corporate responsibility. Companies should begin their corporate responsibility work by reviewing their current status, either themselves or with the help of an external consultant. Then, a corporate responsibility programme and work plan can be drafted, along with objectives and timetables.

Corporate responsibility milestones:



2.1. Reviewing and describing the current status

Where are we in relation to competitors, the overall level in the industry, pioneers and legislation?

Defining the key matters:

What are the key corporate responsibility themes in terms of our company's competitiveness and success?

Examples: Collaboration with subcontractors, quality of raw materials, employer image.

In which sub-areas of corporate responsibility is our company able to currently or potentially have major positive or negative effects on society, the environment or people?

Examples: Employment effects in different phases of the purchasing chain, using the opportunities offered by the circular economy, reducing the use of harmful chemicals.

Which key sustainable development matters relate to our company or industry?

Examples: Access to clean water, employees' rights.

In which sub-areas of corporate responsibility could we achieve major positive results in the short term?

Examples: Boosting the efficiency of transportation, making information flow more efficiently within the supply chain – this helps to increase transparency, which reinforces the reputation of a responsible operator.

2.2. Defining the target level for corporate responsibility

When starting out with corporate responsibility work, companies should define the level of corporate responsibility they are aiming for. Is it enough for us to comply with national and international norms and agreements? Will we strive to meet the expectations of stakeholders and reset the corporate responsibility expectations of the market? The target level may change as work progresses. The corporate responsibility steps are shown in Figure 1.

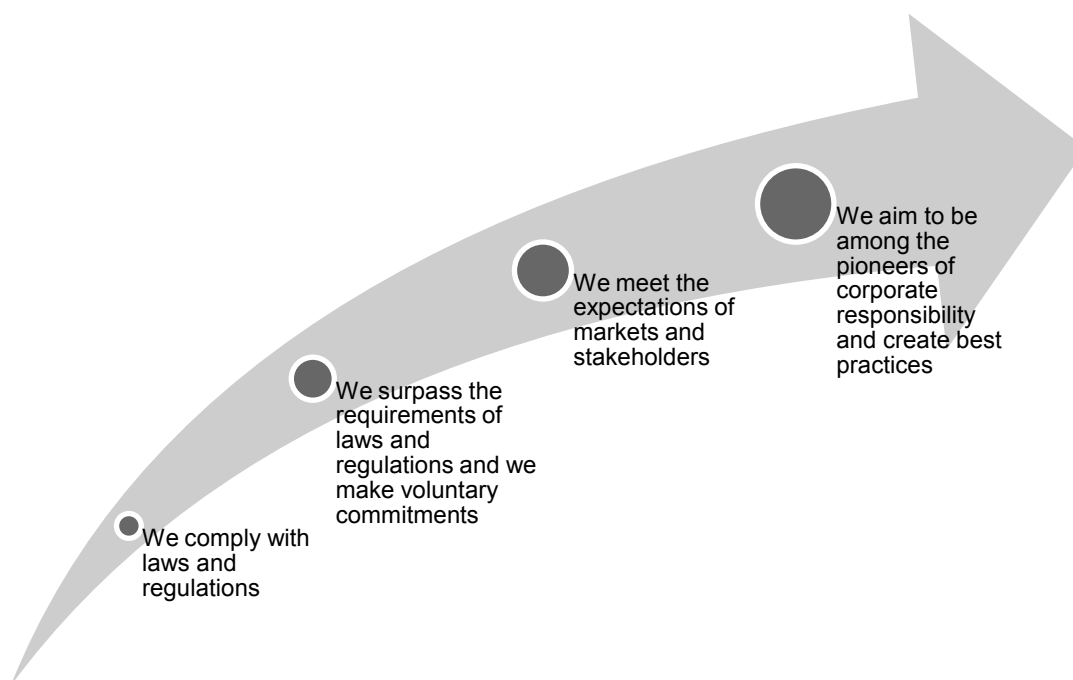


Figure 1

2.3. Corporate responsibility commitments

For the companies, corporate responsibility commitments are interlinked with the company's corporate responsibility policy or ethical operating guidelines. Corporate responsibility commitments may be formulated as follows:

We aim to be among the top companies in matters of corporate responsibility. We are developing our corporate responsibility activities in collaboration with our stakeholders and operators in our value chain. We offer our employees the opportunity to work in a safe environment and to develop their professional skills. We are reducing our environmental impact by boosting the efficiency of our resource usage and by making maximum use of new technology.

2.4. Corporate responsibility principles and policies

Corporate responsibility principles are general policies for corporate responsibility work. They may be formalised as a *Code of Conduct*. If necessary, general principles can be elaborated upon by specifying more detailed guidelines and principles, including environmental policies, human resources policies and principles of responsible purchasing.

The Code of Conduct usually contains the following points:

- Legal compliance
- Taking care of financial responsibility
- Promoting fair competition
- Ban on bribery and corruption
- How to act in the event of a conflict of interest
- Corporate responsibility in customer relationships
- Relations with partners
- Improving the working community and personnel well-being
- Environmental responsibility
- Putting principles into practice

2.5. Target corporate responsibility programme

The focal areas of corporate responsibility are defined on the basis of essential matters for a period of three to five years. Actions are to be accompanied by objectives and indicators, and personnel are nominated to be accountable for these. Objectives should be reviewed and updated if necessary. This may take place annually.

2.6. Measurement and monitoring

Corporate responsibility work is monitored on the basis of the focal areas of the target programme, as well as the chosen objectives and indicators. It is recommended that the objectives be reviewed and updated if necessary when the company communicates the results of its corporate responsibility work.

It is a good idea to communicate the results to customers and other stakeholders in the form of customer newsletters and on the company's website. Results can also be compiled to create a document in PDF format to describe annual results as well as the company's corporate responsibility principles and policies.

Reporting can also be verified. This means that an external party, such as an auditing firm, verifies the reported information. The purpose of verification is to



increase the credibility of corporate responsibility reporting and demonstrate that the information provided in the report is true.

Communications

It is a good idea to communicate on corporate responsibility work using a wide range of channels. Communications can begin during the planning phase: objectives and a corporate responsibility programme can be communicated to stakeholders to provide them with information about the company's commitments, as well as an opportunity to monitor the company's corporate responsibility work.

Communications should be planned and carried out in collaboration with partners in the supply chain and other stakeholders.

Engaging in events related to corporate responsibility is a form of communication and dialogue in itself, and it provides an opportunity for the company to raise awareness of current corporate responsibility questions.



BOOK OF RULES FOR COMPLIANCE WITH SOCIAL STANDARDS



3. Book of rules for compliance with social standards

3.1. Management commitment and responsibility

There is no official definition of a responsible company. According to the European Union's definition, corporate responsibility is the company's responsibility for the societal impact of its operations. Responsible companies typically share the following attributes:

- They strive to do more than required by law
- They take into account the needs and expectations of their stakeholders and engage in dialogue with them
- They strive to have a positive impact on stakeholders other than their shareholders
- They work with partners to develop corporate responsibility throughout the supply chain
- They strive to minimise the negative financial, social and ecological effects of their operations
- They ensure that their partners are aware of their Codes of Conduct
- They openly and transparently report and communicate on the positive and negative effects of their operations

Reinforcing corporate responsibility perspectives within management first requires principles, operating programmes, indicators and reporting to be developed. However, from the very start it is important to understand that this is about normal management and everyday work. When the new principles and habits guiding corporate responsibility have been learnt, they should be integrated into normal planning, monitoring and reporting activities.

A member of the company's leadership team should be nominated to be accountable for developing corporate responsibility. He/she works together with a corporate responsibility development or steering group, which contains representatives from different functions – finance, production, purchasing, marketing, human resources, etc. – to ensure that development perspectives are as broad as possible and cover all of the essential functions of the company.

Social responsibility standard ISO 26000

The international social responsibility standard, ISO 26000, sets out a common, international definition of social responsibility. The standard was drafted by an ISO working group that included representatives from a comprehensive range of stakeholders: companies, public administrative bodies, labour market organisations, consumer representatives and citizens' associations.

The standard is applicable for use by all types of organisation in developed and

emerging economies. It can act as a guide for those who are learning about social responsibility matters and help more experienced operators to improve their practices.

The standard goes through the key matters related to social responsibility. It handles the terminology and principles of social responsibility, identifying social responsibility and engaging stakeholders, and the seven core topics of social responsibility:

- The organisation's governance
- Human rights
- Practices in working life
- The environment
- Fair operating methods
- Consumer matters
- Participating in the organisation's activities and developing the organisation

ISO 26000 is not a corporate governance standard. It includes instructions that can be followed voluntarily but it does not contain any precise requirements, so there is no certification of compliance with the standard's requirements. Instead, the standard is suitable for use as a social responsibility tool to support the organisation as it advances from planning to practical measures.

3.2. Principles of responsible business

Corporate responsibility work begins by defining the company's corporate responsibility principles – the Code of Conduct. The Code of Conduct includes the company's corporate responsibility policies and operating guidelines related to stakeholder relations. If necessary, general principles can be elaborated upon by specifying more detailed guidelines and principles, including environmental policies, human resources principles and principles of responsible purchasing.

The Code of Conduct usually contains the following:

- Legal compliance
- Taking care of financial responsibility
- Promoting fair competition
- How to act in the event of a conflict of interest
- Corporate responsibility in customer relationships
- Relations with partners
- Improving the working community and personnel well-being
- Environmental responsibility
- Putting principles into practice



3.3. Environmental policy

Pledges related to environmental protection are made in the environmental policy. This describes the company's most significant environmental impacts and the measures taken with the intention of reducing these impacts, along with how the company will monitor and report on results. It is essential that results are measured – environmental policies should not contain matters that cannot be monitored or verified. Quantitative measurement is not always possible but environmental policies should primarily only include pledges that can be backed up by quantitative indicators.

A written environmental policy is always required for the environmental management system to be certified (ISO 14001, EMAS).

3.4. Human resources policy

The key principles and objectives of human resources management are set out in the human resources policy. In the same way as for the environmental policy, the human resources policy should primarily only make pledges that can be measured.

3.5. Risk management principles

When risks are evaluated from the perspective of corporate responsibility, questions arise around financial malpractice, environmental damage and accidents, questions related to occupational safety and product safety, environmental protection by partner companies, and negligence and breach of rights and norms in working life. Operational risks often lead to reputational risks, which damage the company's credibility and image, and can quickly impact on the company's sales and profitability, as well as its attractiveness as a place to work.

3.6. Principles of responsible purchasing

Companies should define principles of responsible purchasing when products or phases of production are commissioned from external partners or subcontractors, or if the company purchases materials from external partners. The starting point for these principles is compliance with national employment legislation or the International Labour Organization's agreements, depending on which alternative is more beneficial to employees.

The global trend to respect basic human and business principles is also present in North Macedonia, Bulgaria and rest of the Balkan region, where companies are increasingly faced with such demands from their customers / clients. Some of the standards that clients require from their suppliers include the following: SA8000, BSCI, SMETA, ISO 26000. All of these standards are based on respect for basic



human and business rights. The requirements of these standards relate to respect for the rights of workers governed by national law, which relate to employment and labor rights, working conditions, entitlement to leave and absence, unionization, pay and allowances, etc.

Characteristic of the textile industry in the region is that it is export oriented which means that such requirements are not unknown to companies. However, companies need support in the area of education and support in adhering to the requirements of the standards. Through the project Building International Competitiveness of Textile Companies in the MK-BG Border Region, which aimed to increase the competitiveness of the textile industry in the MK-BG cross-border region, a checklist was developed to address human and business rights requirements common to all standards to help companies more easily comply with standards.

By fulfilling the requirements of this checklist, companies will be able to obtain a Trusted Balkan Apparel certificate / certificate that they can use for their needs. In this way, it is expected to build a recognizable brand in the region to meet the requirements of respect for fundamental human and business rights. Each interested company will express its interest in obtaining this Certificate called by signing and submitting a self-declaration statement to the previously established Board, filling out a list of requirements indicating the extent to which the requirements are met, after which the board will decide whether the company meets the requirements for issuing a certificate.

The list of quality control points will answer the question whether the company:

- Behaves responsibly towards its employees
- Is responsible for society and environment (is a socially responsible company)
- Has corporate social responsibility
- Is a trusted partner and an integral part of the supply chain



STANDARD OPERATIONAL PROCEDURES FOR IMPLEMENTATION OF SOCIAL STANDARDS



4. Standard Operating procedures for implementation of social standards

Principles guiding corporate responsibility are important statements of intent and pledges of what companies plan to do in key questions of corporate responsibility in the short term. Before the company can select appropriate indicators to monitor its actions, the following should be drafted:

- A stakeholder analysis that strives to identify the expectation of the company's key stakeholders, what can and should be done for their benefit and what can be done with them
- A risk analysis that identifies the most likely and most severe reputational risks
- A SWOT analysis to evaluate the strengths, weaknesses, opportunities and threats associated with corporate responsibility

After this, the indicators of responsible management can be selected.

4.1. Stakeholder analysis

Important aspects of responsible management include maintaining contact with key stakeholders, listening to their wishes and striving to meet their expectations. In return, the company gains an opportunity to present its own perspectives and objectives to stakeholders and to benefit from stakeholders' viewpoints and expertise with regard to developing the company's operations.

Stakeholders typically include owners, personnel, trade unions, customers (companies, retail, consumers), suppliers and other partners, citizens' organisations, environmental associations, the media, officials and municipal shop stewards. The focuses vary from company to company.

The first job for the corporate responsibility development group is to prepare a stakeholder analysis covering the following:

- The company's key stakeholders
- The expectations of each stakeholder with regard to the company's corporate responsibility
- Actions that already address expectations or could address expectations in the future
- Indicators to measure success in this work
- The company's hopes and expectations regarding work with stakeholders
- Indicators to measure success in stakeholder collaboration

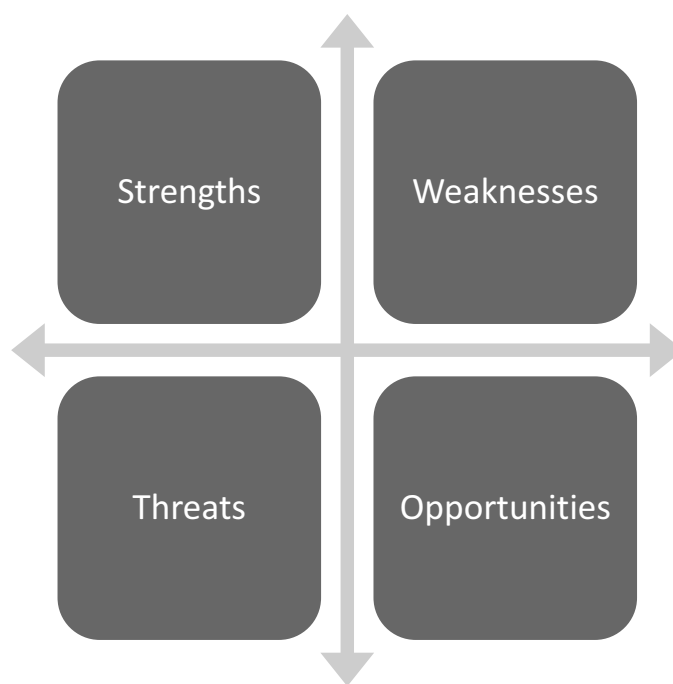
By assigning each stakeholder a weighting on a scale of 1 to 10, the stakeholders can be prioritised with regard to follow-up measures.

Companies' own stakeholder analyses should be supplemented by stakeholder surveys or interviews. It is a good idea to include questions related to corporate responsibility in market research and other research into customers' expectations. It is important to train and engage personnel in responsible operating principles and methods. If all or part of the production is commissioned from external partner companies, it is a good idea to work with them to evaluate both parties' corporate responsibility expectations.

4.2. Risks, strengths, weaknesses, threats and opportunities

Corporate responsibility risks often lead to reputational risks. Risks may be caused by problems in supplier deliveries and inappropriate production conditions in various phases of the supply chain. The company's employer image may suffer if it is suspected that there is a bad work atmosphere.

The goal of the risk analysis is to identify the factors and circumstances that give rise to potential risks. The appendices to this manual include an example risk analysis form. In addition to the risk analysis, it is worth drawing up a traditional SWOT analysis to consider the company's strengths and weaknesses in relation to stakeholders' corporate responsibility expectations.



4.3. Indicators as a basis for responsible management

Developing corporate responsibility requires results to be measured and new objectives to be constantly set.

Financial results are measured and reported on the basis of accounting legislation and international standards for financial statements. Corporate responsibility indicators are not subject to equivalent regulation. However, voluntary reporting is becoming more widespread year after year, initially among large companies but nowadays it is also increasingly common among SMEs. The following subject areas are usually covered as part of the reporting:

- Financial responsibility
- Environmental responsibility
- Responsibility towards personnel
- Collaboration with partners
- Product responsibility

Companies are different and not all indicators apply to every company. That is why every company should evaluate the relevance of the indicators from its own perspective and from its stakeholders' perspectives and focus on the most relevant indicators. The indicators are best suited to describing the corporate responsibility of the company's own activities. If all or part of the production process is outsourced to contracting partners and/or subcontractors, it may be difficult to obtain equivalent information from other companies. In such cases, the picture of the production chain and the environmental impacts of individual products will be incomplete. The indicator guidelines state which information should and can be obtained from contracting partners and how this can happen.

4.4. Financial responsibility

Financial responsibility should be part of business culture: invoices and salaries are paid on time, loans are taken care of, taxes and social levies are paid as required by legislation, everything goes via the accounts department and there is no bribery or corruption.

Information describing financial responsibility is usually available from the company's accounts and financial statements. Stakeholders are interested in how the company's productivity is developing, how the financial benefits of the business are distributed between different parties and to what extent the company generates a profit and uses it to develop its operations further. Information about the company's owners is also expected.

From the perspective of financial responsibility, the indicators that should be presented are as follows:

- The company's main owners
- Net sales
- Income before tax



- Number of personnel (at the end of the year and/or average number throughout the year) - If necessary, grouped by country or by EU countries and non-EU countries
- Taxes, salaries and personnel costs paid

This can also include donations for charitable purposes and sponsorships.

Transparency in the supply chain

One of the main principles of responsible business is that the company complies with the same responsible operating practices regardless of the location and country, and that it requires its partners to have responsible operating practices. Companies should draft corporate responsibility principles for their own activities and corporate responsibility criteria intended for partners. These documents should be published on the company's website. Transparency increases the company's credibility and reputation as a responsible operator.

Purchasing materials and collaborating with subcontractors constitute the most important corporate responsibility matters for many companies in the textile industry. For this reason, it is a good idea to go into detail about the principles of collaboration with partners and the supply chain if possible. The most important countries for material purchases should be stated. Company-specific information about partners can be supplemented gradually.

4.5. Environmental responsibility

Textile production has a significant impact on the environment. Approximately 25 per cent of all of the chemicals produced worldwide are used for textiles. Manufacturing fibres and finishing textiles can consume substantial volumes of water, so it is important to use water efficiently, particularly in arid regions.

The environmental impact of textiles and garments when they are used accounts for a considerable proportion of the impact over the product's entire life cycle. Large amounts of water and energy are needed to look after products. Material development, efficient washing methods, teaching consumers how to care for their clothes correctly and washing temperatures all have a major effect on the environmental burden of textiles.

This manual primarily focuses on the environmental impacts of the company's own production. If the company's activities focus on product design and the actual production takes place elsewhere, collaboration and information exchange between different parties in the supply chain are required to build an overall image of the environmental impact. In the long term, it is a good idea to seek means of monitoring the environmental impact of all of the production phases. Developing corporate responsibility in the supply chain is discussed in the sections on "Collaborating with partners" and "Independent environmental monitoring".

Environmental responsibility is based on environmental policies in which the company pledges to comply with the environmental legislation applying to its activities and to continuously and systematically reduce its own key environmental impact in a goal oriented manner. The appendices to this manual contain an example of an environmental policy.

4.6. Responsibility towards personnel

The professional skill and well-being of personnel are directly connected to a company's success. These guidelines apply to a company's responsibility towards its own personnel. Setting and monitoring requirements related to personnel responsibility for contracting partners and subcontractors is discussed in the section 3.7 Collaboration with partners.

The company's responsibility towards personnel is based on its human resources policy, in which the company pledges to manage its personnel in accordance with specific principles, invest in the personnel's expertise and take care of the personnel's well-being.

The key indicators of personnel responsibility are as follows:

- Basic information about personnel
- Occupational well-being and job satisfaction
- Occupational health and safety
- Accidents
- Days of illness
- Personnel training and days of training
- Compensation and employment benefits
- Employee turnover
- Appraisals

The personnel indicators affect each other and the company's profitability. They should be analysed carefully and comprehensively when developing the company's responsible management practices.

Preventive measures, early intervention models and solid collaboration with occupational health care providers are important parts of wise business development. Occupational well-being and productivity go hand in hand. By taking care of the personnel's occupational well-being and safety, companies can reduce the duration of absences due to illness and the number of accidents, increase motivation and improve their employer image. Job satisfaction and occupational well-being lead to longer careers.



4.6.1. Background

In any company, basic information about personnel is needed for many purposes so there is generally a large amount of information available and it may not be necessary to develop new systems to collect information.

Employment relationships are subject to employment legislation and nationally binding collective agreements. Occupational health and safety inspectors monitor compliance with rules and agreements, along with federations of employers and employees.

In some EU countries and emerging economies outside the EU, legislation may comply with the ILO's basic agreements but there may be inadequate monitoring of working conditions and contractual terms and this may also be affected by the propensity of inspectors to take bribes. When work is contracted out to external partners or materials are purchased from outside the company, care must be taken to make sure that workers' rights are not infringed upon. This topic is covered in more depth in the section 3.7 Collaboration with partners.

The actions of personnel are also monitored using indicators that describe profitability. Indicators of corporate responsibility and profitability should be inspected side-by-side because they are often connected.

4.6.2. Occupational well-being and job satisfaction

Occupational well-being and job satisfaction are key factors in a company's responsibility towards its personnel. High levels of job satisfaction inspire employees to perform well. The company's sales increase, productivity improves, rates of absence and employee turnover decrease, and profitability increases. If the work atmosphere is poor and employees are dissatisfied with the activities of the company, their own unit or their supervisor, employees' motivation and work quality will suffer, rates of illness – particularly short-term absences – will increase and professionally skilled employees will seek employment elsewhere. This all serves to reduce profitability. Word of poor job satisfaction and a bad work atmosphere can easily spread outside the workplace, making it more difficult to recruit new employees. Conversely, the spread of positive information increases the attractiveness of a company as an employer.

Job satisfaction, occupational well-being and work atmosphere should be studied and the results compared in order to improve the business, profitability and other personnel indicators. Studies will reveal the key problem areas, allowing solutions to be sought. When studies are repeated annually, they will show whether the company has invested in the right things and whether sufficient action has been taken.

Instead of carrying out an extensive study, companies may opt for a smaller report. It is important that employees have the opportunity to give their opinions anonymously.



4.6.3. Occupational health care

Employers are obliged by the Occupational Safety and Health law to arrange preventive occupational health care for employees. In addition, employers may also arrange nursing and other health care services for their employees.

The goals of occupational health care are as follows:

- A healthy and safe working environment
- A good working community
- Preventing work-related illnesses
- Maintaining and promoting employees' working capacity and performance

Employers are free to choose between three alternatives for arranging occupational health care services:

- The employer can purchase the service from a health centre.
- The employer can arrange the services itself by setting up an occupational health care station, which may also be established in collaboration with other employers.
- The employer can purchase services from private health care companies that provide occupational health care services.

If the employer arranges occupational health care services itself, the general arrangements, service content and scope of the occupational health care services should be described and made available to employees.

4.6.4. Illnesses and accidents

When employees fall ill, the company incurs costs. Rates of absence due to illness may be increased by accidents due to poor occupational safety, working procedures or conditions that are harmful to health and exposure to chemicals. Absences may be caused by problems between supervisors and employees or relations between employees, as well as poor job satisfaction for other reasons. Looking after occupational well-being, a good work atmosphere and good job satisfaction will decrease the rate of absence due to illness.

Preventing accidents is a key part of occupational safety. Prevention begins by identifying hazardous situations and making preparations for unpredictable circumstances. The overall goal is achieving no accidents at all (Zero accident approach).

The Zero Accident approach is based on the following principles:

- No accidents are acceptable. Accidents are not bad luck or coincidence: all accidents can be prevented, if not immediately then in the fullness of time.

- All dangerous and near-miss situations must be learnt from; personnel must be encouraged to report such situations and there must be immediate reaction and monitoring.
- Zero accidents is everyone's business. It is important that senior managers are committed and set a good example as actions reveal whether commitment is genuine. It is everyone's responsibility to take care of their own safety and the safety of others.

Commitment to the Zero Accident principles should be highly visible. Commitment should be part of the values of the workplace and it should also be visible to customers.

4.6.5. Personnel training

The personnel's professional expertise is one of the competitive factors of a company – it is worth investing in maintaining this. Employees generally value training: investments in training communicate the employer's interest in the personnel's development and future.

Training is planned in accordance with the company's most pressing needs and resources. Some training may take place within the company: brief training and information sessions, learning on the job, apprenticeships and acquiring information from the internet.

4.6.6. Compensation and employment benefits

Collective agreements play a major role in determining compensation. Nevertheless, salaries and other employment benefits affect a company's attractiveness as an employer.

When companies operate in several countries – such as North Macedonia, Bulgaria and other Balkan countries, – stakeholders are interested in how workers are compensated for the same work in different countries. Sexual equality in remuneration – the differences between the salaries of men and women – is also a matter of interest. Comparisons are generally complicated by the fact that men and women rarely work in exactly the same roles.

4.6.7. Employee turnover

Employee turnover is inevitable from the perspective of organisational renewal. If turnover in a company is higher than the industry average, it may indicate dissatisfaction with the company or its management. However, in some industries, such as retail and hospitality, turnover is high by nature because the jobs are best



suited to employees seeking short, flexible employment relationships that are compatible with their life stage – often young employees.

The Labour law requires companies to have a justified reason for making a fixed-term employment contract. Such reasons may include the nature of the work (such as project-based or seasonal work), covering for an employee on a leave of absence and internships. In some cases, major fluctuations in the order book or unstable demand may also be valid reasons. If an employer has a permanent need for labour, there is no justification for fixed-term contracts to be used. It is not prohibited to use consecutive fixed-term contracts but there must be separate justification for each contract. The restrictions set out in law do not apply to fixed-term contracts made on the employee's initiative.

If employee turnover is high, the company incurs costs through recruitment and training. The company's productivity may decrease for at least a short period if changes to personnel result in the loss of expertise that cannot be replaced at short notice.

4.6.8. Appraisals

Appraisals – meetings between employees and their supervisors – should be held at least once per year. They cover the employee's achievement of goals, current expertise, information and skills required in the future, and training and other support needed for personal development. The employee can have a say about the company's activities, the supervisor's management, matters related to job satisfaction and wishes for personal development and progression. Notes are taken on the discussion and both parties approve and sign the notes.

Systematically organising appraisals and using the results to develop the company and each employee is an important part of responsible management. Appraisals that evaluate the employee's performance also provide an opportunity to use performance related compensation, which can motivate personnel and improve job satisfaction.

4.7. Collaboration with partners

The textile production chain is long and is generally global. As there are several operators in the chain, good collaboration is required throughout the entire supply chain to ensure that responsible operating methods are used. Information about the responsibility of contracting partners is also required for the purpose of managing reputational risks.

The principles and criteria for responsible collaboration set out in this document are based on the Trusted Balkan Apparel requirements defined in a structured checklist applicable for regional companies.



Collecting information about environmental and personnel responsibility in relation to the company's own activities is always possible, although this may sometimes be complex. It is considerably more challenging to obtain information corresponding to the company's key indicators from contracting partners. Long-term partnerships promote the exchange of essential information between operators in the supply chain and serve to boost transparency.

As regards environmental responsibility, information is mainly required for calculating the environmental impact of products throughout their life cycles. If there are additional requirements for labelling products in terms of their carbon and water footprints in the clothing and textile product groups, it is difficult to report these footprints if the key production phases are completed outside the company. It is also challenging to monitor and report on the use of chemicals in the manufacturing chain as a whole: some of the chemicals that are used have already been removed from the product before it is ready for use.

4.7.1. Management and legal compliance

It is required for partner companies to have a social responsibility policy and management system to ensure that the requirements of the quality control checklist are met. The company must have operating procedures to prevent corruption and bribery. The senior management is responsible for compliance with the requirements and communicating the related requirements to all employees, as well as for handling and reporting on breaches.

Partner companies must comply with all applicable laws and regulations, minimum standards in the industry, ILO and UN agreements and other essential directives in accordance with the most demanding regulations.

4.7.2. Freedom of association and collective bargaining right

Employees' free and democratic right of association and right to collective bargaining must be respected. Employees must not be subjected to discrimination on the grounds of membership of a trade union. Employee representatives must be allowed to meet employees in their place of work and maintain contact with employees.

In countries where trade union activities are illegal or no free and democratic trade union activities are permitted, partners must respect this principle and permit employees to freely select their own representatives with whom the company may discuss work-related matters.

- ILO agreements 11, 87, 98, 135 and 154.



4.7.3. Ban on discrimination

Partners must not discriminate, exclude people or favour people based on their sex, age, religion, race, social class, place of birth, social background, disability, ethnic or national origin, membership of a trade union or other legal organisation, political orientation or political opinion, sexual orientation, family obligations, marital status, illness or other circumstances susceptible to discrimination. Employees must not be persecuted or punished for any of these reasons.

- ILO agreements 100, 111, 143, 158, 159, 169 and 183.

4.7.4. Fair compensation

Employees must receive fair compensation for their work in an amount that is sufficient to secure reasonable living conditions for them and their families, as well as the social benefits defined in law. Partners must pay at least the minimum wage defined in law or in the collective agreement for the industry, whichever is higher.

Wages must be paid promptly, regularly and in full using legal means of payment. Paying wages partly in the form of fringe benefits is acceptable in accordance with the terms and conditions specified by the ILO. The wage level must correspond to the employees' level of expertise and education and must be based on regular working hours. Wage reductions can only be justified in the conditions specified in law or in the collective agreement.

- ILO agreements 12, 26, 101, 102 and 131.

4.7.5. Reasonable working hours

Partners must ensure that employees are not regularly required to work more than 48 hours per week. Applicable national legislation, industry norms or employment contracts must be interpreted on the basis of the international framework specified by the ILO. In extraordinary circumstances as determined by the ILO, the number of working hours may be more than 48 per week. Overtime must be voluntary and extraordinary in nature and must be subject to a higher rate of pay – at least 1.25 times the normal wage. Employers must permit employees to take breaks every day and at least one day off every seven days, unless otherwise stated in the collective agreement.

-ILO agreements 1 and 14 and ILO recommendation 116.

4.7.6. Occupational health and safety

Partners must ensure safe working and living environments for their employees and local communities. Pregnant women and people in weaker positions, such as young

employees, women who have recently given birth or are pregnant and people with disabilities, enjoy special protections.

Partners must comply with occupational health and safety regulations and international norms if national legislation is inadequate or weakly enforced. They must ensure that there are sufficient systems to identify, evaluate, prevent and eliminate any factors that could endanger health and safety. Partners must take the action necessary to prevent employees from suffering accidents, injuries or illnesses originating at work, related to work or occurring at work.

Partners strive to improve employees' protection from accidents by means such as compulsory insurance.

Partners must ensure that buildings and equipment are reliable and safe. This requirement also applies to employees' residences if the employer has arranged these for its employees. Employees' rights to leave working premises on their own initiative in the event of danger must be respected.

Employees must have sufficient occupational health care and appropriate premises must be reserved for this purpose.

Employees must have access to sufficient drinking water. They must have access to safe, clean dining and rest facilities, as well as food preparation and storage premises. Partners must always offer employees the use of functional personal protective devices

at no extra charge.

-ILO agreements 155 and 184 and ILO recommendations 164 and 190.

4.7.7. Ban on child labour

Partners must not directly or indirectly commission work from children below the age at which compulsory education ends in accordance with legislation. Except for specific exceptions defined by the ILO, this age is 15.

Partners must use a reliable system for determining the age of employees as part of their recruitment process. The system must not be disrespectful or insulting to employees.

When child workers are removed from the workplace, partners must take the initiative to determine means by which child safety can be guaranteed. If necessary, opportunities for offering proper work to adult members of the child's family must be investigated.

The ILO's website contains details of the countries with legislation in which the child's age deviates from the ILO's standard of 15 years.

- ILO agreements 10, 79, 138, 142 and 182 and recommendation 146.



4.7.8. Special protection for young employees

Partners must ensure that young employees do not work at night and that they are protected from working conditions that could harm their health, safety, morals or development.

When employing young people, employers must ensure that the working times of young people do not clash with school times, participation in professional guidance or access to training and coaching programmes.

Employers must pay special attention to ensure that young employees have access to effective complaint mechanisms and opportunities to participate in occupational health and safety training courses and programmes.

4.7.9. Written employment contract and employee security

Partners must ensure that the employment relationships they form do not cause insecurity for employees or place them in such a position that could increase their social or financial vulnerability. Work duties must be based on an accepted and documented employment relationship that complies with the country's laws, habits and practices, as well as international norms, whichever provides the greater protection.

Before an employment relationship is formed, the employer must provide the employee with information in a comprehensible form about these rights, responsibilities and working conditions, such as working times, compensation and payment alternatives.

Effort must be made to provide employees with appropriate working conditions that support the parenthood and guardianship of both male and female employees. This also applies to migrant and seasonal workers whose children may have remained in their home town when the parents moved elsewhere in search of work.

4.7.10. Ban on forced labour

Partners must not participate in any form of activity based on slavery, forced labour, indenture, exploitation, illegal workforce trading or involuntary work. When employing migrant workers directly or indirectly, partners must exercise particular caution.

Employees must be able to give up their work and freely resign their employment relationships on the condition that they give their employers reasonable notice. Partners must ensure that employees are not treated inhumanely or in an undignified way, nor must employees be subjected to physical discipline, mental or physical coercion and/or verbal abuse.

All disciplinary measures must be presented in writing and they must be explained to the employee verbally in a clear and comprehensible way.

- ILO agreements 29 and 105.

4.7.11. Environmental protection

In accordance with Trusted Balkan Apparel requirements, partners must begin taking necessary measures to prevent damage to the environment. Partners must evaluate the significant environmental impacts of their activities and begin using effective operating methods and procedures to take environmental responsibility.

In addition to this, partners should be asked to provide documentation on the environmental system or other environmental management tools that are in use.

Documented information is also required about the partner's use of raw materials, dyes and chemicals, water use, wastewater treatment and waste disposal.

The ISO 14001 environmental system certificate explains the environmental management system and procedures but does not indicate how well the company takes care of its environmental responsibility. The results of environmental responsibility should be clarified because material negligence and breaches always constitute reputational risks to purchasing companies.

It is in the interests of companies commissioning production from subcontractors to monitor whether raw materials are of the agreed standard in terms of quality and corporate responsibility. Improving transparency in the production chain is an important part of corporate responsibility, so it is a good idea to share information about the origin and production methods of raw materials.

If contracting partners provide statistics on the use of raw materials, they can be presented in conjunction with the company's own reporting.

Contracting partners are usually provided with instructions on the use of dyes and chemicals, which may include a list of chemicals that are completely prohibited. To increase transparency in the production chain, it is important to gain a better understanding of which dyes and chemicals are used by contracting partners, along with the relevant volumes. Requirements include choosing substances that burden the environment as little as possible and replacing harmful chemicals with less harmful ones.

Minimising water usage and controlling the environmental impact of wastewater is always important regardless of where products are manufactured. The same requirements must be set for water usage and wastewater practices as would apply to the company's own production. For outsourced production, key indicators of water consumption are total consumption (m3) and specific consumption (m3 per ton of production).



The key indicators for wastewater are total volume in m³ and wastewater loading itemised into emission classes. If possible, the wastewater treatment procedures used by the partner should be disclosed.

Companies should find out the following basic information from partners regarding waste disposal: how much and what type of waste is created? Where is it taken? Is it possible to re-use the waste? How much waste can be re-used?

4.7.12. Responsible commercial practices

Partners must refrain from all types of corruption and bribery. They must maintain precise information about their activities, structures and performance, and must provide this information in accordance with applicable regulations and prevailing practices in the industry.

Partners must exercise appropriate care and comply with privacy and data protection legislation when they are collecting, using and processing personal information.

4.7.13. Ensuring that partners operate responsibly

Promoting and ensuring the use of responsible operating methods in the entire purchasing chain requires collaboration between operators in the chain. Agreements should include the purchasing company's corporate responsibility requirements.

Compliance with these is monitored by inspections carried out by the company itself and third parties.

The following measures can be taken to ensure responsibility in the purchasing chain:

- 1) Terms and conditions included in sale agreements = first party audits
- 2) Inspections carried out by the company's own personnel = second party audits
- 3) Inspections carried out by independent professional monitors or auditors = third party audits

Contract texts

When making sale agreements with partners, companies often include terms and conditions that the partners undertake to comply with upon signing the agreement, such as the following:

- Committing suppliers to comply with the requirements set out in the purchasing company's written purchasing policy, including requirements on quality, delivery, working conditions and terms of employment, as well as environmental protection.
- Pledging not to use child labour and/or forced labour
- Pledging not to use prohibited chemicals as listed by the purchasing company

Contractual terms like these are necessary for partners to understand that corporate responsibility criteria are inseparably linked to the agreement and that partners draft action plans to make improvements in areas where there may be deficiencies. The purchasing company must clearly inform suppliers of the expectations placed on them, as well as opportunities to support them in meeting expectations.

4.8. Other corporate responsibility themes

4.8.1. Corruption and bribery

Corruption and bribery are regrettably widespread problems. The boundaries should be defined for each company. When a policy has been drawn up, it is important to train personnel in complying with the policy and managing the risk of corruption.

4.8.2. Animal rights and welfare

Corporate responsibility questions related to animal rights and welfare apply to textile and clothing companies that use animal-based fibres and materials in their products. These companies must be able to demonstrate that the raw materials and intermediate products have been manufactured and purchased responsibly.

4.8.3. Relations with local communities

Companies are usually expected to be in constant contact with their key stakeholders, such as the residents, schools, organisations and residents' associations in the areas where they have factories. This form of collaboration creates a positive image of the company's desire to listen to various parties and comply with their wishes. These activities are important from the perspective of reputation – particularly the company's reputation as an employer – but also in terms of the company's general acceptability.



