FINNISH TEXTILE & FASHION

Corporate responsibility manual
Corporate responsibility is part of the modern way of doing business, good leadership and risk management. It boosts the reputation and employer image of companies.

The key perspectives on corporate responsibility for Finnish textile and clothing companies are related to purchasing materials and collaborating with other parties in the value chain. Companies should also pay attention to improving the environmental responsibility of their own production. This applies to industrial textile manufacturers as well as clothing companies that manufacture products themselves, whether in Finland or abroad. Requirements for good human resources management and product safety apply to all companies.

Companies' key corporate responsibility perspectives are influenced by several factors, including the size of the company, the number of partners and subcontractors, and whether the production phases that impact the environment are under the control of the company itself or are the responsibility of partners or subcontractors. As companies become more international in their operating and market environments, they face increasingly complex corporate responsibility factors.

Finnish Textile & Fashion supports its members in their corporate responsibility work by providing training and advice. This Corporate Responsibility Manual aims to provide companies in this industry with practical tools that they can adapt and use to initiate and carry out corporate responsibility work.

I hope that the manual encourages companies to take on corporate responsibility work and provides insight for companies that have already developed their corporate responsibility activities to an advanced level.

Anna-Kaisa Auvinen
Managing Director
Finnish Textile & Fashion
Finnish Textile & Fashion has published this Corporate Responsibility Manual with the purpose of providing companies in the textile and clothing industry with practical information about what it means to be a responsible business in the sector and how companies can develop their own corporate responsibility activities.

The manual covers the cornerstones of responsible management:

- Principles of responsible business, environmental policy, human resources policy and principles of responsible purchasing
- Collaboration with subcontractors and suppliers in accordance with the principles of the Business Social Compliance Initiative (BSCI)
- Indicators for financial responsibility, environmental responsibility, human resources responsibility, the responsibility of partners and product safety
- Reporting results in accordance with Global Reporting Initiative (GRI) recommendations

The manual provides guidelines for carrying out analyses to help in setting corporate responsibility objectives and preparing action plans. The appendices contain examples of corporate responsibility principles, environmental policies and human resources principles, as well as guidelines on how to define key corporate responsibility perspectives. Corporate responsibility reporting and communications are also covered in brief.
How to get started with corporate responsibility work

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.

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

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.

Corporate responsibility milestones

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.

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. The corporate responsibility steps.
Corporate responsibility commitments

For several 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.

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:

- 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

The appendices to this manual contain a model Code of Conduct for a responsible business.

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.

The appendices to this manual include an example of an environmental policy that other companies can use as applicable.

Human resources policy

The key principles and objectives of human resources management are set out in the human resources policy. The appendices to this manual include an example of a human resources policy that other companies can use as applicable.

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 of these is more beneficial to employees.

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.

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.

Monitoring and reporting on corporate responsibility work may be aided by Global Reporting Initiative (GRI) indicators or customised versions that suit the company’s own requirements. The report should also be published on the company’s website and in printed form if necessary.

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.
1. Responsible management

At the beginning of the 1990s, companies measured their success solely by financial indicators, monitoring how much shareholder value had been created. As globalisation advanced, criticism of the corporate world – particularly international companies – became more vocal. Financial information alone was not enough. Stakeholders also wanted to know how companies were making profits and how they affected people, the environment and society. What is the company’s “stakeholder value”?

International companies have pioneered in defining how stakeholder viewpoints are taken into consideration and how companies’ overall value can be improved through responsible management. Sustainable development has been split into three pillars – financial, social and environmental sustainability – and the results of corporate responsibility activities have been measured and reported on. When finances are handled responsibly, stakeholders can make themselves heard and companies are developed so that the sub-areas of sustainable development are taken into consideration, shareholder value increases.

Although public debate about corporate responsibility has mostly applied to large, international companies, the requirements of responsible management have gradually begun to reach out to smaller companies. Large companies have defined their own management principles and corporate responsibility objectives, and they require their subcontractors and other partners to commit to similar levels of responsibility. The terms and conditions of public procurement have also begun taking in criteria related to environmental and social responsibility. Consumers are increasingly interested in the backgrounds of the products and services they use.
Characteristics of a responsible company

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

The characteristics of a responsible company include the following:

- Corporate responsibility is included in the company’s basic philosophy – it is present in the values, vision and strategy.
- The company has clear operating principles, models and instructions to guide corporate responsibility.
- The senior management is committed to the matter and has made sure that the personnel are also committed.
- Measurement focuses on the most important questions.

Simplified model for responsible management:

1. **Pledges**
   Values, strategy, management principles that steer corporate responsibility.

2. **Actions**
   Annual action plans for various sub-areas of corporate responsibility.

3. **Results/indicators**
   Measuring the realisation of pledges/action plans.

4. **Reporting**
   Using indicators to present results to internal and external stakeholders.

5. **Back to section 1**
   Setting new goals, updating action plans.

Reinforcing corporate responsibility perspectives within management first requires principles, operating programmes, indicators and reporting to be developed as part of a separate project. 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.
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

The appendices to this manual contain an example of a Code of Conduct (Appendix 1).

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).

The appendices to this manual include an example of an environmental policy that other companies can use as applicable (Appendix 2).

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.

The appendices to this manual include an example of a human resources policy that other companies can use as applicable (Appendix 2).

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.

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.

Companies making cross-border purchases should consider signing up to the Business Social Compliance Initiative (BSCI). In September 2015, BSCI had almost 1,600 members, primarily retail, clothing and department store chains, but also textile and clothing companies.

L-Fashion Group's partners must commit to comply with the local legislation, official regulations and L-Fashion Group's ethical guidelines. Partners must guarantee factors such as safe, healthy working conditions and ensure that workers have freedom of assembly and association.

There is more information about the BSCI Code of Conduct and membership in the section entitled "Collaboration with partner companies". The BSCI Code of Conduct published on 1 January 2014 is used as a reference for the responsible purchasing principles in this manual.

The responsible purchasing principles also include environmental impact. An international model entitled the Business Environmental Performance Initiative (BEPI) is under development to aid in evaluating the environmental impact of product manufacturing. The BEPI system provides production plants with guidance on matters such as environmental management, increasing the efficiency of energy and water usage, handling waste and sewage appropriately and reducing emissions.
Business Social Compliance Initiative (BSCI)

The Business Social Compliance Initiative (BSCI) is an auditing collaboration model set up by German department store and clothing store chains at the beginning of the 21st century. BSCI became part of the Foreign Trade Association (FTA) in Brussels in 2003. FTA represents the European import and export industries. BSCI intends to support its members in promoting responsible operating practices in supply chains.

In September 2015, there were almost 1,600 signatories, of whom the majority continued to be department store and clothing store chains, along with companies in the interior design, sports, footwear and grocery businesses, importers, and clothing and textile companies and brands. So far, there are relatively few members from the UK and France because these countries have equivalent auditing systems of their own.

BSCI’s most important tool is the BSCI Code of Conduct, which was last updated in 2014. These operating principles reflect the views of the BSCI’s members, as well as the goals that members have set for their partners in the supply chain.

The operating principles of BSCI’s Code of Conduct are as follows:

- Right of association and collective bargaining
- Ban on discrimination
- Fair compensation
- Reasonable working hours
- Occupational health and safety
- Ban on child labour
- Special protection for young employees
- Prohibition of unstable employment relationships
- Ban on forced labour
- Environmental protection
- Responsible commercial practices

BSCI organises audits of suppliers in high-risk countries and arranges regional and country-specific training events and workshops for producers, auditors and BSCI members. Additionally, BSCI strives to engage in dialogue with stakeholders nationally and internationally and to lobby to promote responsible employment practices in high-risk countries. BSCI audits are revisited in the section entitled “Ensuring that partners operate responsibly”.

BSCI uses the World Bank’s Worldwide Governance Indicators to classify high-risk countries. There are six indicators:

- Voice and Accountability (VA)
- Political Stability and Absence of Violence/Terrorism (PV)
- Government Effectiveness (GE)
- Regulatory Quality (RQ)
- Rule of Law (RL)
- Control of Corruption (CC)

BSCI’s classification of high-risk countries can be downloaded from the organisation’s website. There is more information about indicators on the website: www.govindicators.org.

Business Environmental Performance Initiative (BEPI)

In June 2014, the Foreign Trade Association set up the Business Environmental Performance Initiative to work alongside the BSCI and focus on environmental matters related to production. BEPI intends to promote environmental responsibility in production chains by boosting efficiency and improving environmental actions taken by producers, with a particular focus on those operating in high-risk countries.

BEPI has trialled its operating methods in four pilot projects in Vietnam. Consultants and assessors recruited by BEPI are already operating in China and further recruitment is taking place in Cambodia, Bangladesh, Turkey, India and Vietnam. BSCI’s members can also make use of BEPI’s services.
2. Putting principles into practice

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.
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.

The appendices to this manual contain an example form for drafting a stakeholder analysis (Appendix 3).

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. The analysis may make use of the division pictured in Figure 2.

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 has become more widespread year after year, initially among large companies but nowadays it is also increasingly common among SMEs. This manual sets out the corporate responsibility focal areas for the textile and clothing industry, along with indicators suitable for monitoring these and improving company operations. Regardless of the company's size or industry, it is a good idea to use the indicators proposed in international reporting recommendations to ensure that companies produce comparable results. The most important set of recommendation is the Global Reporting Initiative (GRI), which provides indicators that form part of the recommendations in this manual. Each of the GRI indicator instructions set out in this manual is accompanied by the code of the relevant GRI recommendation (for example, the human resources indicator G4-LA1). The indicators set out in this manual are explained in more detail in Appendix 7. Further information about GRI is available on the organisation's website at www.globalreporting.org, which also contains links to the most recent reporting guidelines.
Selecting indicators and evaluating their relevance

The list of indicators set out in this manual is narrow in scope in comparison with the GRI reporting recommendations. Large and very large companies in the textile industry will probably use all of the recommended indicators and can complement these with other GRI indicators as required. Some of the indicators set out in this manual may be irrelevant to smaller companies.

A relevance evaluation should be carried out in any case, as it provides a good illustration of the order of importance of various matters. The greatest effort is invested in monitoring and reporting on indicators that have been allocated a weighting of at least three with regard to the company or the stakeholders. This does not mean that the other indicators do not need to be included; they often complement more important indicators and show that the company has taken a thorough approach to reporting.

The relevance evaluation and stakeholder analysis should be carried out in a way that engages stakeholders: if stakeholders are able to make themselves heard, they will gain a better understanding of the company’s challenges, objectives and opportunities for improving corporate responsibility. The key stakeholders emerging from the company’s own analysis should be allowed to make themselves heard. These stakeholders are likely to include customers – depending on the customer, other companies, buyers from trade groups and consumers – personnel, environmental associations, citizens’ organisations and the media.

Financial responsibility

Financial responsibility is part of Finnish 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.
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.

Agtuvi’s Kivat range of accessory knitwear is made from organic cotton. On its website, Agtuvi links readers to its thread producer, the Germany company Gebr. Otto, whose website contains further details on thread production and the company’s certifications.

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.

Indicators of environmental responsibility

These guidelines apply to measuring the results of environmental responsibility with regard to the company’s own production. Setting and monitoring requirements related to environmental responsibility for contracting partners and subcontractors is discussed in the section entitled “Collaborating with partners”. Although the majority of the environmental impact may arise from sources outside the company, the company’s own impacts and the way in which they are distributed throughout the various phases of manufacturing should be identified and presented.

The key indicators of environmental responsibility are as follows:

- Environmental management systems, permits, certifications and brands
- Energy consumption
- Use of materials (raw materials, supplies, etc.), recycled materials
- Airborne emissions
- Use of dyes and chemicals
- Water consumption, wastewater practices
- Waste management

Many measures taken to reduce the environmental burden also decrease operating costs – these changes should be monitored alongside environmental indicators. For example, using energy, water and chemicals more efficiently and reducing material wastage serve to improve the environmental status as well as the company’s profitability.

Appendix 7 (“Presentation of indicators and guidelines”) contains more precise descriptions and guidelines related to the indicators of environmental responsibility introduced here.

Environmental management systems

An environmental system is a systematic way of developing the management of environmental matters and the productivity of environmental protection activities. ISO 14001 is the world’s best-known environmental management model. It helps companies to improve their environmental protection and demonstrate that they are handling environmental matters well.

Environmental systems require companies to do the following:

- Commit to continuously improving their standard of environmental protection
- Identify the environmental impact of their products, activities and services
- Recognise their statutory obligations and ensure that they are fulfilled
- Set environmental targets and monitor compliance with them
- Allocate resources and maintain personnel expertise
- Inspect and monitor their environmental impact, steer processes and operations, maintain good environmental practices
- Prepare themselves for environmental risks and accidents
- Prevent environmental damage and recurrences of environmental problems

Deploying an environmental system enables several business benefits to be realised. Environmental systems have the following effects:

- Better integrating environmental matters into management and operational planning
- Increasing cost-efficiency by boosting the efficiency of raw-material and energy use and by decreasing waste volumes
- Promoting environmental awareness and engagement among personnel
- Strengthening compliance with the requirements of environmental legislation and aid in forecasting changes
- Encouraging environmental impact to be taken into consideration in different phases of product and service chains
Use of materials

Responsible use of materials is one of the basic questions of responsible business. Renewable raw materials are favoured and used as efficiently as possible. Materials and resources are recycled whenever possible. Companies are searching for new operating models to extend the life cycles of products in collaboration with different operators in the supply chain, as well as other partners. Non-renewable and harmful materials should be avoided.

Improving material efficiency and increasing the amount of recycling also serve to decrease costs, thereby improving financial performance.

Marimekko is aiming to minimise cutting waste at the design stage by taking into account the likely purpose for which each pattern will be used and the positioning of the pattern on the fabric. During the cutting phase, the patterns are positioned so as to minimise the amount of waste.

The circular economy and textile recycling

Preventing the occurrence of waste is always a priority within EU-level waste policies, and waste should be re-used as much as possible. The target is to minimise the amount of waste arising during production and develop interesting ways to re-use waste. A major proportion of the waste produced in industry is raw material wastage, but there is also a large amount of packaging waste.

In the textile and fashion industry, the value of materials makes up 20 per cent of a product’s value. Design, marketing and manufacturing account for 80 per cent of the value. In the circular economy, materials and value are both circulated. Product-related services and service development are key parts of new business models.

In the textile and fashion industries, the circular economy can be promoted by seeking new solutions for manufacturing fibres: pulp can be used to produce fibres for the textile industry. The use of virgin materials can be reduced by using old materials again; for example, by manufacturing new material from textile waste more efficiently.

The opportunities of the circular economy can be taken into consideration when products are designed to ensure that materials are selected with a view to making the product sustainable and recyclable.

Wastage arising during the textile production phase, such as cutting waste, should be used as a material, either in the company’s own production or offered up for the use of other parties. Using production waste is generally easier than making use of textile waste generated by consumers because production waste comes in large volumes and is easy to identify. Production waste does not include zips, buttons and other accessories, which make it more difficult to use.

• Improving the management of environmental risks and safeguarding business continuity
• Demonstrating responsibility in environmental matters to stakeholders, such as customers, partners, organisations, officials and financiers
• Supporting the organisation’s environmental communications, construction of a company image and marketing
• Offering opportunities to demonstrate standards compliance during audits or certification processes carried out by independent parties

ISO 14001 has been made sufficiently flexible to allow it to be applied to organisations of any type and size in the public and private sectors. It is relatively rare for environmental systems to be used by small companies and companies who contract external partners to carry out production, as they may not provide significant added value for such companies.

The European alternative to ISO 14001 is the Eco-Management and Auditing Scheme (EMAS).
New uses are sought for textile waste received from consumers because it is difficult to put to use. For example, chemical recycling is being developed at a rapid rate. This involves separating the fibres contained in textiles from each other using chemicals instead of using mechanical tearing-based methods, which have previously been widespread.

Joutsen Finland Oy, which manufactures jackets and bedding from down, offers repair and maintenance services for its products for a small fee. Extending product life cycles promotes efficient use of natural resources.

Dyes and chemicals

Chemicals are included in almost all production phases of textiles and clothing.

Consumers are interested in procedures for reducing the use of harmful chemicals and/or replacing them with alternatives that are better for the environment and people’s health, as well as the amounts of chemicals that remain in finished products. Companies should consider opportunities for disclosing the chemicals used during different manufacturing phases and the grounds for using such chemicals.

Companies should ensure the following:

- Dyes burden the environment to the minimum possible extent
- Harmful chemicals are replaced by less harmful ones
- When it is necessary to use harmful chemicals, employees are trained to use them safely and avoid any health risks
- Employees have access to sufficient instructions on the characteristics of different chemicals and how to handle chemicals
- Product design is used to develop solutions for different production phases to reduce the use of harmful chemicals
- The company complies with the REACH directive in its production chain

Safety Data Sheet of chemicals

According to the ILO’s International Occupational Safety and Health Information Centre (CIS), the characteristics of chemicals must be made available to employees on product information cards, which include the following information:

| 1) Name of chemical | 10) Physical and chemical properties |
| 2) Manufacturer’s contact details | 11) Stability and reactivity |
| 3) Chemical composition | 12) Toxicological properties |
| 4) Hazards | 13) Environmental properties |
| 5) First aid measures | 14) Disposal measures |
| 6) Fire prevention measures | 15) Transportation instructions |
| 7) Action to take in the event of a leak or emission | 16) National regulations and instructions |
| 8) Handling and storage | 17) Other |
| 9) Exposure controls and personal protection |

CIS chemical safety data sheets can be found on the ILO’s website.

A significant amount of work has been carried out in the EU to reduce the harmful effects of chemicals. The Finnish Safety and Chemicals Agency (Tuokes) monitors and promotes consumer and chemical safety. It has published comprehensive safety data sheets corresponding to the ILO’s guidelines. These can be found on Tuokes’ website, http://tuokes.fi/en/.

Chemicals improve textile functionality

- user safety plays a key role

Chemicals are substances that are obtained from nature or manufactured industrially and are used in the textile industry primarily to increase the functionality and durability of textiles. The use of chemicals must be safe for people and the environment – for this reason, usage is subject to very strict national and EU legislation.

Chemicals are required as raw materials for manufacturing synthetic fibres and threads, and they are essential for cleaning natural fibres. Dyes and related auxiliary substances are used to provide a durable, permanent colour for products. The amount of dye used is optimised for each material.

During finishing, chemicals are used to provide products with properties that make the garments more pleasant to use and better suited to their intended uses. For example, enzyme treatments are used to remove excess “fluff” from the surfaces of materials. Certain treatments can make materials waterproof, antistatic and/or dirt-resistant. Chemicals are also used to eliminate or reduce the undesirable properties of products: shirts can become less creased and woollen clothes can have softer surfaces.
Energy consumption can be divided into three main categories:

- Heat and electrical energy used on office and production premises
- Electrical and heat energy used in production processes
- Electrical energy required to wash and care for textiles and clothes

Companies can influence the amount of energy consumed in generating heating, cooling and lighting for their premises, particularly if they own the premises. Energy reviews can be carried out on the premises and they often lead to substantial energy savings from small improvement investments with a short break-even period. Additionally, new energy-efficient solutions are available for lighting.

The opportunities for saving energy in the production chain depend in large amount on which production phases are controlled by the company itself. The most significant environmental effects consist of producing raw materials and occur during actual production processes. However, product design and material selection encompass decisions that can influence energy consumption and emissions throughout a product’s entire life cycle.

Product design and consumer information can affect the amount of water and energy consumed when washing products, both during the production process and when products are in use.

For Suominen Corporation, a manufacturer of non-wovens, using resources as efficiently as possible is the key to developing operating practices that promote sustainable development. In 2015, the company’s target was to improve energy efficiency by 2 per cent and water usage efficiency by 12 per cent.

Emissions to air

The target is to minimise the emissions of carbon dioxide and other greenhouse gases during the production and use of clothes and textiles. The emissions of the company’s own production primarily depend on the production methods and the amount of energy used.

Raw material production has a major impact on the life cycle emissions of textile products. Companies should be aware of the emissions caused by their raw material choices and weigh up the available alternatives from the perspective of emissions, even if this does not correspond to the production or purchasing of all raw materials.

Approximately one third of the carbon dioxide emissions that occur during the life cycle of clothing are caused in the home when electrical energy is consumed to wash, dry and iron clothes. The environmental emissions caused by caring for clothes are part of the product’s life cycle environmental load, so they should be taken into consideration in life cycle calculations. The International Organization for Standardization (ISO) published the ISO/TS 14067 technical specifications in 2013 to define the principles and requirements applying to calculating and communicating carbon footprints.
Water consumption and wastewater practices
Producing textiles and clothes consumes a substantial amount of water. It is usually possible to recycle water by using as little clean water as possible. This also saves energy. As chemicals are used in production, wastewater should be carefully treated.

The targets are as follows:
- Identify the raw materials that require substantial amounts of water to produce and that are produced in high-risk areas in terms of water sufficiency
- Use product design to reduce dependency on raw materials that require large amounts of water to produce
- Study and test methods for dyeing that are less harmful to the environment
- Collect information about water consumption and wastewater treatment practices from partner companies involved in the production process
- Collect information about water consumption and wastewater treatment practices from partner companies involved in the production process

In addition to these, companies should provide customers with information about washing and caring for the product to extend its life cycle.

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 entitled “Collaborating 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 appendices to this manual contain an example of a human resources policy.

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 Global Reporting Initiative’s reporting guidelines related to personnel focus on accidents and occupational diseases. This manual also covers indicators related to occupational health care, occupational well-being and personnel development. The indicators and calculation instructions are described in Appendix 7.

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.

Background
In Finnish companies, 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.

In Finland and most EU countries, 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. Violations are rare and monitoring is not hindered by corruption or bribery. When Finnish-made goods are exported, demonstrating compliance with legislation and sectoral guidelines is generally sufficient evidence that the company has taken responsibility for its personnel.

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 entitled “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.

At Fiblon, operational objectives are directly derived from the company’s values, one of which is “the joy of work”. The personnel are involved in setting targets and other planning. Care is also taken to ensure personnel well-being. There is flexibility in terms of working hours and other working conditions so as to ensure that employees can find a balance between work and their private lives.
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.

Occupational health care

In Finland, employers are obliged by the Health Care Act 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.

In Finland, occupational health care and nursing services are usually handled well. It is a particularly good idea to invest in preventive occupational health care because the costs can easily be recouped in terms of reduced rates of absence due to illness. Employees consider good occupational health care and nursing services a fringe benefit and they also affect job satisfaction.

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 Occupational Safety and Health Act (738/2002) obliges employers to investigate and evaluate dangers in the workplace. The legislation requires employers to carry out a sufficiently systematic investigation into the hazards and dangers caused by the work and the working conditions. The Occupational Safety and Health Act states that the employer must use an external consultant if it does not possess sufficient expertise to evaluate risks.

The Finnish Institute of Occupational Health’s Zero Accident Forum is a network of Finnish workplaces representing more than 300 companies. The Forum brings together workplaces that are committed to improving occupational safety and putting the Zero Accident mindset into practice. Networking enables members to access practical tools and information to reinvent their working methods. The open atmosphere in the Forum encourages participants to discuss issues and exchange ideas with other workplaces.

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. The website of the Finnish Institute of Occupational Health provides an accident cost calculator and related instructions. Up-to-date statistics on accidents in the textile and footwear industries are available on the website of the Finnish Centre for Occupational Safety.

2. PUTTING PRINCIPLES INTO PRACTICE
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.

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

Compensation is included in the GRI reporting recommendations for two reasons. When companies operate in several countries – such as Finland, Sweden, all of the Baltic states and Russia – 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.

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 Employment Contracts Act 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.

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.

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 manual are based on the Finnish version of the Business Social Compliance Initiative's Code of Conduct. The wording was abbreviated in some parts without interfering with the content of the text. The official version of the Code of Conduct is the English version and this should be presented to contracting partners for compliance. As BSCI is exclusively entitled to use this Code of Conduct, auditors can inspect companies in accordance with BSCI’s Code of Conduct only when requested by a BSCI member or a member's contractual partner.

Collecting information about environmental and personnel responsibility in relation to the company's own activities is generally 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.

The need for product-specific information is likely to increase in the future and information systems are likely to begin generating better information for this purpose. Companies can promote the production of such information by developing standardised programmes that are compatible with the BSCI. Programmes are distributed to contracting partners and suppliers and the accuracy of information is monitored using environmental monitoring and auditing.
Management and legal compliance

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

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.

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.

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.

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.

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.

Occupational health and safety

Partners must ensure safe working and living environments for their employees and local communities. Pregnant people 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.

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.

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.

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.

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.

Environmental protection

In accordance with BSCI's Code of Conduct, 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. EMAS also requires its users to report results.
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 ($m^3$) and specific consumption ($m^3$ per ton of production).

The key indicators for wastewater are total volume in $m^3$ 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?

**Responsible commercial practices**

Partners must refrain from all types of corruption, extortion, embezzlement 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.

**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. BSCI’s Code of Conduct also emphasises collaboration, as well as training subcontractors and partners rather than controlling and monitoring them.

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.

Finlayson asks its partners, and those who would like to be its partners, about matters such as their use of chemicals, quality and safety assurance systems. Partners must comply with the ILO’s basic principles for working life and the requirements set by REACH.

Written pledges to comply with the agreement are a good starting point for developing responsible collaboration. However, compliance with agreements must be monitored and documented information should be requested from partners to support monitoring.

**Own inspections**

When companies work more closely together, they generally aim to gain a better understanding of their partner’s operating methods and conditions. Visits to partner companies and first-hand inspections are important because visits can give the company a feel of the actual conditions in the supplier’s business and create a good basis for collaboration to bring about improvements. They demonstrate that the purchasing company is interested in responsible collaboration. Inspections may lean on the company’s own standards, if it has these in place. In addition to first-hand inspections, it is also worth using external, independent assessors.
First-hand inspections can be challenging from the perspective of ensuring compliance with corporate responsibility standards:

- There may not be enough information about the country's legislation and a sufficient living wage.
- It is impossible to interview employees or read documentation if there is no common language – using interpreters may lead to inaccurate information being exchanged.
- Although interviews could be carried out, employees do not always have the courage to answer honestly – interviewers require professional skill to handle difficult matters and interviews should also be arranged outside the workplace.
- Stakeholders do not consider companies' own inspections to be sufficiently reliable evidence if they are not supplemented by external audits.

The CSR compass, produced in collaboration between Nordic organisations, offers practical tips and tools for managing long production chains. The compass contains separate sections for SMEs and organisations carrying out public procurement. In Finland, the work is coordinated by the Ministry of Employment and the Economy. The compass can be found online: www.csr-kompassi.fi

**Independent inspections of working conditions and terms**

If the methods and personnel are reliable, independent inspections are a good way to promote responsible operating practices among partners and ensure compliance with contractual terms and conditions.

Inspectors must be local professionals who are trained for their jobs, speak the language of the interviewees, are able to read the required documents and are familiar with the national legislation and culture.

Independent inspections are also evaluated. Labour market organisations and citizens' associations want inspections to be based on multistakeholder initiatives that have been planned in collaboration with their representatives and managed with the organisations' input. One example is the SA8000 standard, which is a multistakeholder project, while BSCI is considered a joint action between companies that was developed without the participation of other parties. Nowadays, BSCI has a Stakeholder Council, which includes representatives of different stakeholders, and criticism has eased thanks to this cooperation. BSCI's Code of Conduct, which entered into force at the beginning of 2014, has also received more positive feedback from stakeholders.

A second target of criticism is the potential for inspectors to be bribed. However, a certifying body's declaration that working conditions comply with the law is many times more reliable than certification by a labour protection official from a country known to have a corrupt administration.

Independent inspections can be divided into two types:

- Monitoring – a more simplified form of inspection than a comprehensive audit. Monitoring aims to identify the greatest deficiencies and draft an actionable rectification plan before an actual audit is carried out.
- Auditing, which may be carried out in accordance with the SA8000 standard or the BSCI auditing system.

Companies that offer monitoring services specialise in the social responsibility of contracting partners' production facilities and inspections of environmental responsibility. Professional local monitors evaluate production facilities upon the request of purchasing companies, prepare improvement plans, guide the implementation of these plans and report the results to the purchasing company. Monitoring provides purchasers with unbiased information about suppliers and the entire supplier chain, improves suppliers' performance and decreases purchasers' risk. Follow-up visits are important means of evaluating and classifying the attitudes and expertise of contracting partners in terms of taking corporate responsibility measures.

Monitoring enables an evaluation of manufacturers' compliance with the purchaser's requirements. Monitoring is a two-way process: it works as a tool for the purchaser and the manufacturer but it does not provide the manufacturer with certification of a successful inspection for use in all customer relationships. However, when the manufacturer has rectified any deficiencies identified by the monitoring process, it becomes easier to take the next step: demonstrate its standards of corporate responsibility by obtaining certification in accordance with an international standard or another form of independent auditing accepted by purchasing partners. These include BSCI auditing if the purchasing partner is a BSCI member.

Monitoring visits usually take one working day and the report can be prepared in half a day. The use of working time naturally depends on the details of the case at hand, as well as any follow-up measures agreed after the visit, the distances involved and other corresponding matters.

**BSCI audits**

BSCI's auditing model includes a large amount of training material, both for BSCI's members and for manufacturers of products. There is a separate version of the BSCI manual for purchasers, manufacturers and auditing companies. Manufacturers can also obtain additional information by participating in BSCI Supplier Workshops and other training events that are arranged annually in various parts of the world, particularly in China and other Asian countries.

At the beginning of the auditing process, the audited company completes a self-evaluation. When the actual audit has been carried out, the auditor enters the results into a database. Manufacturers do not generally pass audits at the first attempt and the database enables users to monitor how the process is progressing. When a re-audit has been passed, the auditor adds the audit report to the database. BSCI audits are carried out by international certifying bodies that are also approved as SA8000 certifiers.

BSCI members can only see information about their own contracting partners in the database. The system does not reveal which purchaser each manufacturer is supplying. When a purchasing company becomes a BSCI member, it can first use BSCI's search functionality to look for its current suppliers and add the suppliers who are already in the database to its supplier list. Similarly, if the company wishes to search BSCI's database for new suppliers, the search functionality can be used for this purpose. When an audit has been carried out once, it becomes available to all BSCI members. The database already contains information about almost 20,000 manufacturing companies. The database is only open to BSCI's members.

On average, a BSCI audit takes two working days and preparation of the audit report takes between half a day and one full day. The intention is that the manufacturing company will pay for the auditing itself because a passed audit can be accepted by all other BSCI members, but the division of costs is naturally subject to agreement.
BSCI’s most important documents, such as the Code of Conduct, have been translated into several languages. The documents can be downloaded free of charge from the organisation’s website.

Other auditing models

The basis of the BSCI auditing model is the international Social Accountability SA8000 standard. BSCI corresponds in large part to the SA8000 standard although it lacks the corporate governance requirements that are derived from the ISO 9001 and 14001 standards and are included in SA8000. SA8000 is in the “best practice” phase of the BSCI system, meaning that when a company has passed a BSCI audit and created and documented the required system of corporate governance, it can apply for SA8000 certification.

Due to the corporate governance requirements, SA8000 certification is a more complex and expensive procedure for manufacturers than a BSCI audit. In addition, SA8000 does not offer users the type of manual or self-evaluation procedure that is available under BSCI.

The following systems are equivalent to BSCI in being based on auditing by international certifying bodies, national employment legislation and ILO agreements:

- The Ethical Trading Initiative (ETI) in the UK, which includes a database named SEDEX (this database may include audits that were not performed independently, so this matter is worth checking)
- The Fair Wear Foundation (FWF) based in the Netherlands, which also accepts self-audits, so it is worth checking that audits were carried out by an independent body
- Fair Trade Labelling, which only applies to cotton farming and not to the production of products made from cotton

The following auditing systems deviate from ILO agreements in terms of factors such as working times, compensation and the age limit for child labour:

- Worldwide Responsible Apparel Production (WRAP).
- The Fair Labor Association (FLA), which has its own auditors and auditing agreements instead of using international certifying bodies. The FLA is not considered independent because the companies that finance it may be able to misrepresent auditing results for their own purchasing chains.

Independent environmental monitoring

It is important to obtain the same amount of detail about partners’ environmental management as for their compliance with work-related requirements. Some companies have already included environmental requirements in their own agreements: a typical example is a list of prohibited chemicals.

It is important to establish that partners are environmentally responsible by making agreements and carrying out inspections but this may not be enough to convince stakeholders. An international model entitled the Business Environmental Performance Initiative (BEPI) is under development to aid in evaluating the environmental impact of product manufacturing. The BEPI system provides production plants with guidance on matters such as environmental management, increasing the efficiency of energy and water usage, handling waste and sewage appropriately and reducing emissions.

Monitoring and auditing as indicators

Information about the inspection procedures used to monitor partners’ corporate responsibility and the outcomes of such inspections form a key part of a responsible company’s reporting.

Reporting should set out which methods were used to monitor working conditions, employment terms and environmental requirements. These methods may include BSCI membership and auditing, and monitoring in preparation of auditing.

The indicators are itemised by high-risk country as follows:

- The amount of monitoring and the proportion of the total for high-risk suppliers, descriptions of observations and rectification plans made during monitoring
- The number of accepted audits and the proportion of the total for high-risk suppliers, summary of key reasons for failed audits
- In addition to BSCI audits, any other audits passed by partners can be mentioned, including SA8000 and ETI

Product responsibility

Companies are responsible for the safety of the products they manufacture. Products must not endanger the health or property of consumers. There can be no compromises on this responsibility. Product safety is subject to regulation in the form of legislation for specific product groups or general consumer safety legislation. Directive 2001/95/EC of the European Parliament and of the Council on general product safety and the Finnish Act on Consumer Safety (920/2011) cover products that are not specifically regulated by other legislation. The chemicals that can be used in consumables and textile products are subject to regulation under the REACH and CLP directives. In addition to legislation, some textile products have more detailed product safety requirements through standardisation. In such cases, product safety can be demonstrated using testing and test results in accordance with referred standards. Referred standards are published in the Official Journal of the European Union. An example of a referred standard is SFS-EN 14682 – Safety of children’s clothing. Cords and drawstrings on children’s clothing. Specifications.
Other corporate responsibility themes

Corruption and bribery

Corruption and bribery are regrettably widespread problems. The boundaries should be defined for each company. The example in the appendices to this manual contains a recommendation related to this as part of the principles of responsible business. This can be specified in more detail by including matters such as acceptable levels of hospitality. The International Chamber of Commerce (ICC) provides recommendations for an international model for preventing corruption and bribery.

When a policy has been drawn up, it is important to train personnel in complying with the policy and managing the risk of corruption. In accordance with GRI reporting recommendations, companies must state which units have analysed the risks of corruption and what proportion of the personnel has received related training.

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.

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.
Developing corporate responsibility is often seen as an internal quality assurance process, which the company wants to communicate to the outside world only when everything is taking good shape. However, every step towards better performance is important and communicates where the company is heading. For this reason, communication should begin at an early stage when the current status has been analysed, the first development plans have been prepared and the first targets have been set. Even though work to realise the plan may still be underway, it is worth communicating the plan and the actions taken. This will demonstrate the company’s desire to be open and transparent. It also highlights deficiencies and problems rather than restricting itself to presenting only good results.

Some companies have begun creating integrated reports that combine financial reports with corporate responsibility reports and indicators. Companies strive to analyse how corporate responsibility affects their financial results and how financial results accelerate or decelerate the development of corporate responsibility. The spread of integrated reporting depends on factors such as legislative initiatives related reporting.

Companies can also benefit from a lighter version of this reporting model based on the GRI. The key factor is for companies to fulfill the needs of their stakeholders by providing information credibly and reliably. In reporting, the results of the company’s corporate responsibility work should be backed up by quantifiable data in addition to qualitative descriptions.
Model for reporting results

There are several alternatives for reporting corporate responsibility results:

- Report on the company’s website
- Report in PDF format, available on the website
- Printed report, equivalent to the PDF report
- Including a corporate responsibility section in the company’s annual report

If visitors to the website wish to search for specific details within the report, this information is easier to find in an online report. If people want to read through the entire report and also print it, a PDF file is more suitable. PDF is also better from the perspective of pictures, graphs and tables.

Reporting could be split into the following sections:

1. Introduction of the report’s contents and coverage
2. Managing director’s foreword
3. xxxx as a company: a brief summary
4. Corporate responsibility management
   4.1. Values, strategy, management model
   4.2. Stakeholders (first four columns of the stakeholder analysis table)
   4.3. Risks and opportunities
   4.4. Management principles that steer corporate responsibility
      - Principles of responsible business
      - Environmental policy
      - Human resources principles
   4.5. Corporate responsibility organisation
5. Corporate responsibility results
   5.1. Evaluating the relevance of indicators (relevance chart)
   5.2. Summary of key results
   5.3. Financial responsibility
   5.4. Environmental responsibility
   5.5. Personnel responsibility
   5.6. Collaboration with partners
   5.7. Product responsibility
6. Target corporate responsibility programme 201x–201y

The table described in Appendix 8 can be used to prepare and present the target programme for corporate responsibility.

Indicators of focal areas: summary

This section contains all of the indicators included in the manual. As stated in the section entitled “Indicators as a basis for responsible management”, each company selects its own indicators as part of its relevance evaluation according to which indicators are important from the perspective of the company’s own activities and stakeholders’ expectations.

Financial responsibility
- The company’s main owners
- Net sales
- Income before tax
- Number of personnel
- Salaries and personnel costs paid

Environmental responsibility
- Environmental management systems, certifications and brands
- Materials (natural fibres and synthetic fibres itemised in tons, proportion of recycled materials)
- Dyes and chemicals
- Energy consumption (electricity and heat, renewable/non-renewable, total per ton of production)
- Emissions to air (CO₂, NOₓ, SO₂, VOC, particle emissions related to electricity/heat/transportation)
- Water consumption, wastewater (total water consumption per ton of production, amount of wastewater)
- Waste (waste that can be re-used, landfill waste, hazardous waste in tons)

Personnel responsibility
- Basic information about personnel (number, type and duration of employment relationships, age structure)
- Occupational well-being and job satisfaction (results of studies/reports)
- Occupational health care (EUR per employee, preventive treatment/medical treatment)
- Days of illness (days per employee, combined number, percentage of annual working time)
- Accidents (combined number, accident frequency = number per thousand working hours)
- Personnel training (number of days of training per employee, investment in EUR per employee)
- Remuneration (average salary, distinction between men and women)
- Employee turnover (percentage of departing employees in comparison with the total number of employees at the end of the year)
- Appraisals (coverage, percentage of employees)

Collaboration with partners
- Results of monitoring/auditing of working conditions and terms (accepted, requiring improvement)
- Results of monitoring of environmental requirements (accepted, requiring improvement)

Product responsibility
- Breaches of health and safety regulations (sanctions)
When presenting results from each area of responsibility, first briefly set out how the area is managed. Explain the importance of each topic to the company, as well as the targets, actions and results. Results are to be presented in terms of quantifiable indicators and they must be presented regardless of whether they are good or bad. Comments can be provided to explain why targets were achieved or missed but it is not generally a good idea for companies to make their own assessments of the quality of results unless there is reliable data from similar companies or the industry as a whole with which to compare.

VM-Carpet published its first corporate responsibility report in 2014 to meet the information requirements of its customers. The company wanted to communicate the importance of corporate responsibility factors to its business, how the values are realised in business activities and how corporate responsibility matters are measured.

Open reporting that is strongly based on indicators encourages the company to improve its operations. It is important to be goal-oriented. Reporting includes results from the three previous years so as to show the trends in each area. The targets for the following three years are also presented, and progress against these targets will be monitored annually.

Corporate responsibility in company marketing

When companies consider corporate responsibility to be an important part of their strategy and there is evidence of corporate responsibility results, the operating principles and results are naturally also worth referring to in marketing activities. However, care must be taken when presenting environmental and social responsibility to ensure that marketing is not considered to be misleading or unjustified.

The Finnish Competition and Consumer Authority published policies applying to consumer rights in connection with environmental marketing and these were last updated in 2002. The instructions emphasise that claims made in marketing must be backed up by evidence. Presenting minor environmental impacts that are insignificant in view of the company's overall activities should be avoided if other, clearly more significant environmental impacts are played down. Environmental certification and branding can be used in marketing in accordance with the instructions provided by the certifying bodies.

It is harder to use social criteria in marketing because monitoring of working conditions and terms focuses on meeting minimum requirements, which is a poor fit for brand marketing. Companies that are certified in accordance with the SA8000 standard are listed in a public database but there is currently no branding for SA8000.

Some companies include the country of origin on their product labelling, while some even go as far as to say which company was responsible for which production phase and set out the auditing and certification procedures used at each production phase.

Corporate responsibility in corporate communications

Communications should be appropriate in light of the company's nature, size, operating methods and potential risks related to corporate responsibility. It is a good idea to focus communications on matters that are essential from the business perspective, are of interest to stakeholders and include potential operational and reputational risks.

Consumers are increasingly interested in the origin of products and this has become a factor of corporate responsibility. Open communication is the best approach, as well as making the supply chain as transparent as possible. When collaboration with contracting partners includes monitoring to ensure that they are meeting requirements and reliable evidence is produced to confirm this, the information should be shared.
4. Appendices
Corporate responsibility principles

Example

We at xxxx intend to develop our business over the long term and in accordance with the principles of sustainable development. We will have the greatest success when we do our work responsibly and take into account the expectations our customers and other stakeholders have of us.

Our operations are based on our shared values, which are xxxxx, xxxxxxx and xxxxxxx, as well as our management principles. Our practical actions must correspond to our values and principles.

These principles of responsible business determine the way in which everybody working at our company acts. We will supplement these general operating guidelines with more detailed principles and instructions as required.

Our principles are shown on our website at www.xxxx.fi.

Legal compliance
We always comply with applicable legislation and agreements by which we are bound in Finland and elsewhere.

Each of us must be familiar with the laws, regulations and instructions applying to our work and we must undertake to comply with them. Supervisors are responsible for any training and monitoring required.

Financial responsibility
We take care to ensure that our finances are handled accurately and in accordance with regulations. We take care of the company's property and we do not use it for unauthorised purposes.

Promoting competition
We are working to improve general operating conditions and practices in organisations in our industry in collaboration with other operators. We comply with applicable competition legislation and we do not accept restrictions to competition.

Conflicts of interest
Our personal interests must not conflict with the interests of the company. We do not participate in business activities that compete with our company or are in a business relationship with our company, nor do we seek personal benefit from business relationships.

We do not pay or accept bribes or other illegal payments.

We do not offer or accept hospitality, gifts or benefits that could affect decision-making in our business relationships or that could be considered as exceeding the limits of normal hospitality.

Our company's donations and other collaboration with stakeholders must be in line with our business principles and support the achievement of our objectives.

Customer relationships
Our success is based on satisfied customers. For this reason, our actions must always correspond to the pledges we have made.

We monitor our customers' opinions of our activities and our products with the help of customer surveys, research and customer feedback systems and we use the information we obtain from this to improve our activities.
Environmental policy

We monitor our main environmental impacts, take environmental perspectives into consideration in our decisions and our practical work, and use our environmental expertise as a source of competitive advantage whenever possible.

Our environmental goals and objectives are as follows:

- We report the main environmental impacts of our business activities (consumption of materials, chemicals and energy, emissions, waste), we report on the results of our environmental work and we set new targets for it every year.
- We seek innovative solutions to promote the use of recycled fibres as well as materials and chemicals that are less harmful to the environment and to boost the efficiency of energy and water use throughout product life cycles.
- We train our personnel so they are familiar with our environmental impact and can reduce it in their own work.
- We train our contracting partners and subcontractors to support our environmental goals and objectives.
- We provide information to consumers via our retailers about using and caring for textiles and clothes with the aim of boosting the efficiency of energy and water use.

These actions demonstrate that we are aware of our environmental impact and we are making efforts to reduce it systematically over the long term.

This environmental policy was approved by the Board of Directors of xxxx Ltd on xx Month 201x.

Human resources policy

Our human resources management is based on our company’s values and principles of corporate responsibility. Our success depends on the occupational well-being, job satisfaction, motivation and professional skill of our employees. We invest in our management to continually develop these success factors. We measure the results of our management and set new targets for it every year. Fostering a good working community is the duty of everyone working in our company.

Our human resources principles and objectives are as follows:

- We comply with all laws and agreements related to our human resources activities without exception. Our personnel have freedom of association.
- Our working community is characterised by equality and we do not accept discrimination, harassment or bullying of any kind.
- We invest in occupational safety, well-being and job satisfaction.
- We monitor job satisfaction and well-being using annual surveys.
- We arrange annual appraisals for all personnel.
- We encourage our employees to participate in developing our operating methods and working community.
- We offer our employees opportunities to receive training and progress in their careers within our company.

These actions will help us to ensure that our working community and customer satisfaction develop positively and will safeguard our company’s future and jobs.

These human resources principles were approved by the Board of Directors of xxxx Ltd on xx Month 201x.
### Corporate responsibility stakeholder analysis

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Stakeholder’s expectations</th>
<th>Actions to ensure expectations are met</th>
<th>Indicators to measure the success of actions</th>
<th>Expectations of stakeholders</th>
<th>Indicators to measure success in stakeholder collaboration</th>
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### Appendix 4. Risk analysis form

#### Corporate responsibility risk analysis

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<th>Financial responsibility</th>
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<td>Target of risk</td>
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<th>Environmental responsibility</th>
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<td>Target of risk</td>
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<th>Social responsibility</th>
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<td>Target of risk</td>
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<th>Other responsibility</th>
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<td>Target of risk</td>
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Appendix 5. Defining key corporate responsibility perspectives

The company's key corporate responsibility perspectives

It is a good idea for companies to focus their corporate responsibility work on areas in which it has significant impacts in terms of financial, social and environmental perspectives. When defining key areas, companies should also take into consideration questions that stakeholders consider important and that are relevant to the industry in relation to sustainable development.

The first step is to put together a preliminary list of topics from areas such as the company's strategy, targets, key corporate responsibility questions in the industry, media, stakeholder queries, personnel workshops – there are numerous sources. The perspectives on the list are prioritised to identify the most important questions.

The accompanying relevance chart for corporate responsibility indicators is an example of a way in which important matters can be prioritised in order to determine the most relevant perspectives. Each matter is assigned an importance from 1 to 4 with reasoning from the perspectives of the company and its stakeholders.

Significance of indicators to stakeholders/our company: 1=minor 2=average 3=large 4=very large
201a and 201b = for example 2014 and 2015
x = included in reporting
y = not currently included in reporting but will be in the future
0 = not relevant

Financial responsibility

<table>
<thead>
<tr>
<th>The company’s main owners</th>
<th>Net sales</th>
<th>Income before tax</th>
<th>Number of personnel</th>
<th>Taxes, salaries and personnel costs paid</th>
<th>Itemisation of production phases by country</th>
<th>Customer satisfaction</th>
</tr>
</thead>
</table>

Environmental responsibility

| Environmental management systems, certifications, brands |
| Raw materials |
| Use of materials |
| Using recycled materials |
| Use of dyes and chemicals |
| Energy |
| Energy use, direct (own production, including fuel) |
| Energy use, indirect (purchased) |
| Energy saving programmes and other measures |
| Water |
| Water use |
| Water recycling/reuse |
| Emissions, waste |
| Greenhouse gas emissions from direct energy use (own production, transportation) |
| Greenhouse gas emissions from indirect energy use (purchased electricity and heat) |
| Measures to reduce greenhouse gas emissions |
| Emissions of compounds that degrade the ozone layer |
| Other emissions to air |
| Emissions to water, wastewater practices |
| Waste by type and disposal site |
| Leaks of chemicals, oil and similar |
| Processing and transporting hazardous waste |
| Compliance with environmental laws |
| Fines and other sanctions for environmental violations |
### Social responsibility

#### Employees
- Number of employees grouped by type of employment relationship (permanent, fixed-term, full-time and part-time)
- Employee turnover by age group and sex
- Occupational well-being and job satisfaction

#### Occupational health and safety
- Investment in occupational health
- Illness and accident statistics
- Supplementary training per employee
- Appraisals

#### Diversity, equality
- Sex, age group and other statistics about personnel
- Average salary grouped by sex

#### Corporate responsibility among partner companies
- Number of partner companies belonging to high-risk groups
- Results of social auditing
- Results of environmental auditing

### Corporate responsibility among partner companies

<table>
<thead>
<tr>
<th>Value to stakeholders</th>
<th>Value to us</th>
<th>Our reasoning</th>
</tr>
</thead>
<tbody>
<tr>
<td>200a</td>
<td>200b</td>
<td>Stakholders who consider it important</td>
</tr>
</tbody>
</table>

### Product safety

- **Improving the safety of products and services**
  - Safety deficiencies/violations
  - Labelling requirements for products
  - Violations related to the aforementioned requirements

### Relevance evaluation for corporate responsibility indicators

#### Indicator weightings

<table>
<thead>
<tr>
<th>Vertical from bottom upwards: importance of the indicator to stakeholders, scale 1–4 (1 = not particularly important, 4 = very important)</th>
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</thead>
<tbody>
<tr>
<td>Horizontal from left to right: importance of the indicator to us, scale 1–4 (1 = not particularly important, 4 = very important)</td>
</tr>
</tbody>
</table>

The chart is an example. Companies enter the results of their own evaluations into the chart.
Appendix 7. Presentation of and guidance on indicators

Indicators of environmental responsibility

Indicator: Environmental management systems, permits, certifications and brands

Environmental systems corresponding to the ISO 14001 standard or the European Eco-Management and Audit Scheme (EMAS) model are the most common environmental management tools.

In reporting, the environmental management system is included in the presentation of the principles and practices guiding environmental activities. As such, the section first describes the content of the environmental policy and then the certified environmental management system: when it was certified, who certified it and what the certification applies to. ISO 14001 does not require results to be reported, while companies using EMAS must produce a report on the results of environmental management.

Companies should present their environmental permits in this section and provide a brief description of the purposes for which each permit is required.

One indicator of environmental management is the extent to which the certified environmental management system covers the company's activities. Coverage can be expressed as a percentage of the company's net sales, the total production volume or the number of personnel depending on which of these gives the best description of the system's coverage in practice.

If the company has other certified systems and/or product labels, they should all be presented in this section. These include ISO 9001 quality certification and the OHSAS 18001 occupational health and safety certificate.

Other product-related, independently verified symbols include the following:

• The key flag showing that products are manufactured or services provided in Finland
• The swan and EU flower environmental symbols
• Öko-Tex Standard 100, a symbol to denote harmless products
• GOTS organic certification
• The Fair Trade cotton symbol
• The allergy symbol
• Tested in accordance with the SFS fire safety standards
• CertiPUR certificate

Indicator: Materials

GRI indicators G4-EN1, G4-EN2

Material statistics are used to describe the company's material efficiency and dependence on natural resources.

What the company refers to as a material mostly depends on the phase in the production chain at which the company's own manufacturing begins: for example, companies may purchase cotton, thread or fabrics.

Fibres are a unifying factor in the industry. Every fibre has its own unique environmental impact so it is difficult to place fibres in a clear order of value.

Material use can be expressed in tons (and percentage of total use) grouped into the following main categories:

- Natural fibres
  - Plant fibres, such as cotton
  - Animal fibres, such as wool

- Man-made fibres (MMF)
  - Semi-synthetic fibres, such as viscose
  - Synthetic artificial fibres, such as polyester
  - Inorganic fibres, such as carbon fibres

Companies can itemise the content of the main categories in more detail with reference to their own activities and they can present a brief description of the characteristic environmental impacts of each fibre.

The itemisation should be accompanied by the percentage of total material consumption accounted for by recycled materials, either for each fibre or a total figure.

Indicator: Waste

GRI indicator G4-EN23

The report should describe the means by which waste is prevented, the beneficial uses that waste is put to, the measures taken to reduce the amount of waste, particularly landfill waste, and how waste disposal is organised. It is good to provide separate information about handling hazardous waste.

The simplest way to group waste statistics is to divide the types of waste into three groups:

- Waste that can be re-used
- Mixed waste
- Hazardous waste

For each group, the number of tons and the group's percentage of the total volume of waste are reported. The total volume of waste and the amount of mixed waste can be expressed in relation to production: waste in kg or % per ton of production.

More precise classification may be required for waste that is re-used. Every company can decide upon a classification that best describes its own activities and include factors such as the following:

- Production material waste – if this is reduced, material efficiency will also improve. Material waste can be itemised by fibre in a similar way to materials.
- Other typical types of waste: corrugated cardboard, paper, plastic, glass, metal, wood, waste for generating energy (some of the aforementioned waste types may be included under this category, depending on the method of energy generation), compostable organic waste, etc.

Indicator: Chemicals

GRI indicator G4-EN1

Companies have different ways of reporting chemical use. Some companies report the total amount of chemicals in kilograms or tons, which is a good starting point. The amount could also be expressed in relation to production: each ton/kilogram of production requires x tons/kilograms of chemicals.
The next phase could be to categorise chemical volumes according to the purpose of use, such as pre-treatment processes, dyeing and finishing. Companies can present their production methods and state which types of chemicals are used at each phase, why they are needed and how much is used. It is possible for companies to report the total amount of chemicals used in their own production, unless a more precise categorisation is called for or possible. One problem may be obtaining information from contracting partners to cover outsourced production phases.

Indicator: Energy consumption

GRI indicators G4-EN3–EN7

In the GRI recommendation, the EN3 indicator covers the organisation's own energy consumption, while EN4 covers energy consumed outside the organisation. EN5 reports the energy intensity, EN6 reports reductions to energy consumption. The EN7 indicator describes reductions in the energy required by products and services.

Indicators of energy consumption include the following:

- **Consumption of electrical energy in MWh**
  (in the GRI recommendation, the unit for measuring energy is the joule (J))
- **Consumption of heat energy in MWh**

In addition to total consumption, energy consumption is categories as follows:

- **Non-renewable energy** (generated from non-renewable sources: coal, oil, natural gas, peat)
- **Renewable energy** (generated from renewable sources: wind, solar power, hydroelectric power, biomass, biogas)
- **Nuclear energy**

Information about the energy sources used in production can be obtained from reports published by the company's own provider of electricity and heat and on websites. This information is also required to calculate CO2 emissions. When a company's premises occupy part of a larger property, there are no separate meters for heat energy. Instead, heat is invoiced for as part of the building's service charge. In such cases, the company's share of the property's total consumption must be requested from the property management company, along with information on the ways in which energy is generated.

Total energy consumption can also be expressed in relation to the company's size:

- **Energy consumption in MWh per ton of production**
- **Energy consumption in MWh per million euros of net sales**

The heat energy efficiency of properties is monitored using the specific consumption: the consumption per unit of floor area (kWh/m²), and sometimes also by the volume of the premises (kWh/m³). When monitoring trends in total consumption and specific consumption, calculations should also take into account annual temperature fluctuations by using a heat requirement figure and related annual adjustment coefficients. Information about calculations can be obtained from district heating companies and Motiva.

**Indicator: Emissions to air**

GRI indicators G4-EN15–EN21

Greenhouse gas emissions. For industry, CO2 emissions are the main cause of climate change. As such, every responsible company should state its CO2 emissions, even if they are relatively low.

Indirect greenhouse gas emissions arise from the generation of electricity and heat that is then purchased. Emissions information can be requested from energy providers. If the company's energy provider publishes the environmental profile for the calendar year in the summer of the following year, the figures for the preceding year should be used. If energy is purchased from several companies and purchases are not weighted towards renewable energy, the average figures for emissions due to electricity and heat generation in Finland can be used. Calculations can be made using the free Ilmastolaskuri service at www.ilmastolaskuri.fi.

Direct greenhouse gas emissions arise from sources that belong to or are controlled by the company. These include transportation of materials, products and waste carried out by the company itself or outsourced to a shipping company. The emissions caused by business trips (by car, aeroplane and train) can also be included in calculations.

The purchasing company is responsible for emissions from purchasing transportation when it has purchased materials under the “delivered ex quay” term and arranges collection itself.

Emissions from distribution shipments are the liability of the product manufacturer. If the company handles distribution using its own fleet of vehicles, emissions are calculated on the basis of the number of kilometres driven or, for a more accurate result, the amount of fuel consumed. If distribution is handled by an external shipping company, it may be more difficult to obtain information about emissions. If shipping companies cannot provide the number of kilometres driven for individual deliveries and/or the amount of fuel consumed, an indicative result can be obtained by identifying the proportion of the shipping company's net sales that are accounted for the company and using this ratio along with the total number of kilometres driven/amount of fuel consumed by the shipping company to calculate the CO2 emissions. Transportation of waste is usually calculated as the emissions of waste disposal companies.

The CO2 emissions due to shipments of goods can be obtained from VTT’s research results related to road traffic or by using the emissions figures published by the manufacturers of the vehicles in question. The unit of measurement for greenhouse gas emissions is CO2 equivalent, which provides a standardised way of measuring different greenhouse gas emissions in proportion to their global warming potential (GWP). The CO2 equivalent figure for specific gases can be obtained by multiplying the number of tons of the gas by the GWP figure for the gas. If a company emits greenhouse gases other than CO2 (such as CH4, N2O, HFC, PFC and SF6), these should be reported in CO2 equivalent figures. The GWP ratios for this are published by the Intergovernmental Panel on Climate Change.

Other typical airborne emissions include the following:

- **Nitrogen oxides (NOx)**, sulphur oxides (SOx), volatile organic compounds (VOC) and particle emissions
- **In some cases, emissions of substances that deplete the ozone layer** (CFC and HCFC compounds, etc.)

All greenhouse gas emissions and other airborne emissions are reported in terms of total amounts (tons or kilograms) and in proportion to production (tons per ton of production or kilograms per kilogram of production).
Indicator: Occupational well-being and job satisfaction
Occupational well-being and job satisfaction are monitored using annual studies and reports for which personnel respond to surveys anonymously. Surveys are usually carried out by external research companies. Companies can prepare studies themselves as long as the questions are designed carefully and respondents are guaranteed the opportunity to express their opinions without being identified.

The questions typically request respondents to give a grade on a scale of 1–5, where 5 is the best. The questions cover matters such as job satisfaction.

- With the company
- With the employee’s own department
- With collaboration and the atmosphere
- With the employee’s supervisor
- With the employee’s own job
- With the workload
- With the ability to cope at work
- With the amount of recognition received
- With the pay and benefits
- With equal treatment
- With opportunities for progression
- With appraisals
- With personnel communications

Several questions can be asked for each topic. The results are usually categorised and processed for each department. However, for units with fewer than five employees, results are not itemised to avoid the risk of people being identified among such a small group. Public reporting usually incorporates the figures describing personnel satisfaction with the company as a whole, people’s specific departments and jobs, and equality. For other factors, reporting usually includes commentary describing the changes that took place during the year.

In large companies and teams of more than five people, the satisfaction of personnel with their own supervisors may be included as a factor in supervisors’ performance-related remuneration.
Indicator: Occupational health care and occupational well-being

Preventive occupational health care generally improves employees' working capacity and occupational well-being, while reducing the number of absences due to illness, which also reduces the company's costs.

Corporate responsibility indicators describing occupational health care include the following:
- Total investment in occupational health care, nursing care, etc. in EUR per employee
- Proportion of total costs attributable to preventive occupational health care

Indicator: Statistics on absences due to illness

It is important to create statistics on absences due to illness to enable the personnel's occupational well-being to be monitored and the reasons and consequences of development to be considered. The typical costs associated with absences due to illness should also be calculated.

Indicators of absence due to illness:
- Rate of absence (%) = total number of days of absence due to illness as a percentage of the theoretical annual working time
- Average number of days of illness per employee

Example: In 201x, the company had an average of 55 employees who were absent for a total of 325 days due to illness. The theoretical annual working time was 55 x 228 working days = 12,540 working days. The rate of absence was 325 / 12,540 = 2.6% and the number of days of illness per employee was 228 / 55 = 4.1.

Large companies often calculate indicators of the number of days of illness and frequency of accidents per million working hours.

Statistics on absences due to illness can and should be monitored for each unit. Absences due to illness can also be classified into the following basic groups:
- Short-term (paid) absences due to illness: total number of days, percentage of all days
- Long-term (unpaid) absences due to illness: total number of days, percentage of all days
- Absences caused by occupational accidents and diseases (short- and long-term separately): total number of days, percentage of all days
- Absences due to the illness of a child: total number of days, percentage of all days

Indicator: Accident statistics

GRI indicator G4-LA6

Accident statistics are a part of occupational health and safety. When statutory accident insurance is taken out for employees, the insurance company must be provided with information about the number of working hours, which can also be used to generate statistics on the frequency of accidents.

There are several indicators describing accidents:
- Number of occupational accidents in the year
- Number of accidents during work-related travel in the year
- Number of fatal accidents in the year
- Frequency of accidents = number of occupational accidents per million working hours (in small companies this may be expressed per thousand working hours)
- Severity of occupational accidents = average number of days of absence due to accidents

Calculations do not normally include minor accidents that give rise to absences of less than three days.

Indicator: Training statistics

GRI indicators G4-LA9, G4-LA10

Training is usually monitored using two indicators:
- Amount of money spent on training, in total and per employee
- Amount of time used for training, in total and per employee

The results of training may not correspond to the amount of money or time used – the cause-and-effect relationship is more complicated. If training is well planned and executed, it is usually beneficial to business development.

Before statistics on training can be generated, the company must determine how it defines training. Training typically includes internal company events lasting half a day or more and aiming to disseminate new information and operating practices. This is in contrast to ordinary meetings. Participation in training events organised outside the company can more clearly be included in training statistics.

Responsibility for maintaining training statistics should be delegated to a specific person and the personnel should be given clear instructions on how to report on participation in training. In large companies, training statistics can also be itemised by personnel group, such as senior management, managers, supervisors, specialists, employees, office-based personnel.

Indicator: Salaries and equal remuneration for women and men

GRI indicators G4-11, G4-LA13

The GRI reporting recommendation does not take a stand on the magnitude of salaries because salaries differ from one country to the next. It must be expressed in proportion with the cost of living before it can be used to evaluate a company's corporate responsibility.

The G4-11 indicator applies to the coverage of collective agreements within the company, so this could be used to state the salary system within the company: which collective agreements apply to the company and what proportion of employees fall within the scope of different agreements? Any bonus systems, other incentive schemes and fringe benefits are also connected with remuneration and can be reported in this section.

The G4-LA13 indicator recommends that the ratio describing the difference in remuneration for women and men be reported by personnel group. The indicator describes the status of equality in terms of remuneration. In small companies, such a classification may be questionable from the perspective of privacy. Instead, the average salaries for men and women can be expressed for all personnel without classifying people into personnel groups.
**Indicator: Employee turnover**
GRI indicator G4-LA1

The basic indicator of employee turnover is the number of employees who departed during the year in proportion to the number of personnel at the end of the year. Employee turnover can and should be analysed in more depth. GRI recommends that employee turnover be monitored by sex and age group. Some companies exclude fixed-term employment relationships from their calculations of employee turnover, instead focusing only on turnover among personnel in permanent employment relationships. In such cases, a significant cause of employee turnover – and one that is often dependent on the employer – is left out, which misrepresents the overall picture. However, temporary summer workers should be excluded from employee turnover calculations because summer workers are usually used in the same manner from one year to the next to cover for employees who are on holiday.

The reasons for the termination of employment relationships can be classified into the following groups:

- Resignation on the employee's own initiative
- Termination decided upon by the employer
- Termination for financial or production-related reasons
- Expiry of fixed-term agreements
- Employment relationships terminated or dissolved for personal reasons in accordance with the Employment Contracts Act
- Retirement on old-age or disability pension

**Indicator: Coverage of appraisals**
GRI indicator G4-LA11

The indicator of the results of appraisals is the number of employees who participated in appraisals during the year in proportion to the total number of personnel.

When calculating this indicator, the number of completed appraisals should be the number of discussions that can be considered to have fulfilled the requirements for an appraisal in terms of criteria with which the supervisor and employee are familiar and that both parties have accepted.

**Product responsibility**

**Indicator: Product safety**
GRI indicators G4-PR1, G4-PR2

Responsibility for customers' health and safety is particularly important for children's clothing. It is difficult to use quantitative indicators in this area, so investments in safety should be explained qualitatively.

The Öko-Tex Standard 100, a voluntary product label denoting harmless textiles, is good for this purpose. More information about product labels can be found on Finnish Textile & Fashion's website. The GRI indicator, G4-PR1, describes the proportion of a company's major products and services that has been evaluated from the perspective of improving health and safety impacts. If such an evaluation is relevant to the company, it should naturally be included.

Violations of regulations related to product safety must be disclosed in accordance with GRI indicator G4-PR2. Disclosure is limited to reporting the number of violations of safety regulations and voluntary principles classified as follows:

- Violations leading to fines or punishments
- Violations leading to warnings
- Violations of voluntary commitments
## Appendix 8. Objective programme template

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