

IMPLEMENTATION OF THE HUMAN RIGHTS BASED APPROACH IN THE BUSINESS SECTOR





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Methodology

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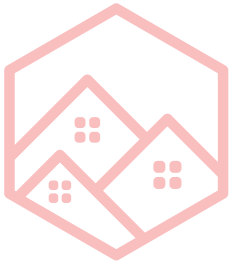
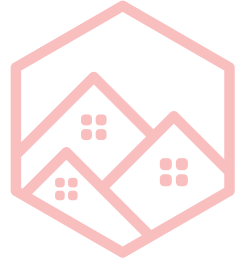
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CONTENTS

1. INTRODUCTION	7
2. CONTEXT	10
3. HRBA APPLICATION IN POLICY PLANNING, BUSINESS STRATEGIES AND PROJECTS.....	13
3.1. Policies in which the company clearly states its obligation to respect human rights.....	15
3.2. Due diligence for human rights.....	16
3.3. Process that allows for compensation in case of negative impact of business on someone's human rights.....	20
4. IDENTIFICATION OF STAKEHOLDERS.....	21
5. HRBA AND BUDGETING.....	22
6. APPLICATION OF HRBA IN THE PROCESSES OF MONITORING AND EVALUATION.....	24
7. MONITORING INDICATORS	25
BIBLIOGRAPHY.....	30



1. INTRODUCTION

Businesses affect human rights no matter where they are or what the details of their work are. They have a responsibility to respect human rights in all segments of their business, from employment, to products and services, to consumers, to supply chains, to the community in which they operate.

Since the United Nations adopted the Guiding Principles on Business and Human Rights in 2011, a new chapter began in how companies around the world run their business. While previously the state played a primary role in respecting human rights, it is now generally accepted that companies have an equal responsibility to respect human rights in all segments of their work - employees, customers, supply chains, the community in which they operate. The business and human rights framework is not well known in our country. Hence, via a series of initiatives, including this document in front of you, we strive to include local companies, institutions and other stakeholders in the global trends.

Respect for human rights is the responsibility of every owner and manager of a company. Today, almost all companies employ workers, have suppliers and business partners from abroad, including from countries known for their low level of respect for human rights, and offer a range of products and services that, despite the positive benefits, can serve to abuse human rights. For example, transportation industry and tourism are often abused for human trafficking. Telecommunications services, apart from connecting people, are also often used to violate privacy rights and freedom of movement. Therefore, identifying key human rights risks, and introducing and implementing policies and measures that will ensure company's respect of human rights, is becoming a mainstream approach to doing business in the world.

This methodology allows for harmonized application of the human rights-based approach and the Guiding Principles on Business and Human Rights. It is intended for businesses to apply it, and for civil society organisations and institutions to monitor and support its implementation.

Current framework for business and human rights

At international level, human rights are enshrined in the 1948 UN Declaration of Human Rights (Organisation of the United Nations, 1948) that has been part of the international law via the International Covenant on Civil and Political Rights (UN General Assembly, 1966) and the International Covenant on Economic, Social and Cultural Rights (UN General Assembly, 1966) since 1966. In terms of workers' rights, the ILO Declaration on Fundamental Principles and Rights at Work (International Labour Organisation, 1988) lists four categories of principles and rights: the right to association and collective bargaining, elimination of forced and compulsory labour, abolition of child labour, and elimination of discrimination in respect of employment and occupation.

The adoption of the United Nations Guiding Principles on Business and Human Rights marked the beginning of a period of intensified commitment to the protection, respect and promotion of human rights in business. This document is the basic framework for business and human rights.

The Guiding Principles on Business and Human Rights (GPBHR or Principles) were adopted by the UN Human Rights Council in 2011 and represent a continuation of the

efforts to promote standards of social responsibility and good governance of companies, starting with the ten principles of the UN Global Compact.¹

On its own, the United Nations Global Compact is the world's largest sustainability and social responsibility initiative that directs businesses to align their strategies and work with 10 principles in the areas of: human rights, labour standards, sustainable environment and anti-corruption. The principles arise from: the UN Declaration of Human Rights², the Declaration on the Fundamental Principles and Rights at Work of the International Labour Organisation³, the Rio Declaration on Environment and Development⁴ and the United Nations Convention against Corruption⁵. The voluntary initiative of the UN Global Compact allows signatories (mostly businesses) to develop their value system and base their actions on principles that shall ensure compliance of their strategies and action with the social responsibility standards. This is made possible by the leadership's commitment mechanism and the obligation for members to report regularly on progress. Progress is made possible by multi-level membership and depends on membership progress, and is enabled through a range of educational opportunities, monitoring tools, initiative involvement, and more. The UN Global Compact is present in over 160 countries worldwide via more than 60 local area networks and includes over 10,000 signatory companies and 3,000 non-profit entities.⁶

The Guiding Principles on Business and Human Rights consist of a collection of 31 basic and operational principles. The framework they make up is the only global standard for respecting and preventing the risks of human rights violations in business. These principles are based on and include aspects of "protection, compliance and legal remedies" enshrined in the following pillars:

First pillar: The obligation of the state to protect human rights from third party infringement through appropriate regulation, policies and the judiciary. The guiding principles for the first pillar contain recommendations for the state that include:

- Commitment to greater coherence of human rights policies and business operations, including effective implementation of existing legislation, identification of gaps in policies and regulation, and providing effective business leadership;
- Promoting respect for human rights in the business sector, including in cases of public-private partnerships or in the cooperation of state institutions with the business sector;
- Creating environment for businesses operating in conflict-affected areas not to contribute to or cause human rights violations;
- To fulfil their protective role through participation in multilateral institutions⁷.

Second pillar: Corporate responsibility for respecting human rights, primarily by applying due diligence standards, i.e. conducting assessments of human rights risks arising as a result of the company's operation and taking appropriate measures for prevention and protection against human rights violations. Within the second pillar, the Principles help to:

- Prevent and treat human rights violations through company activities, operations and relations with other stakeholders;

1 UN Global Compact

2 Universal Declaration of Human Rights

3 International Labour Organization's Declaration on Fundamental Principles and Rights at Work

4 Rio Declaration on Environment and Development

5 United Nations Convention Against Corruption

6 Information from www.unglobalcompact.org June 2020

7 Shift, Oxfam and Global Compact Network Netherlands, 2016, p. 25

- Demonstrate that they are familiar with and committed to care for human rights, including through effective due diligence procedures; and
- Understand how the contexts in which the company operates can affect the risk of human rights abuse⁸

Third pillar: Ensuring access to legal remedy for persons whose rights have been violated as a result of actions of enterprises. Within the third pillar, GPBHR provide for the following:

- States are obliged to provide mechanisms for the protection of persons whose rights have been potentially violated through access to judicial and non-judicial legal remedies;
- Non-state mechanisms, including operational-level (for example in employers), sector-level and international level mechanisms should complement state mechanisms;
- Out-of-court mechanisms should meet the main criteria for effectiveness.

Balance among the three pillars (state, enterprises and legal remedies) is in fact the only approach that can ensure proper implementation. The implementation of GPBHR is within the scope of the Office of the United Nations High Commissioner for Human Rights. GPBHR is implemented through the mechanism of the UN Working Group on Business and Human Rights that encourages governments to implement national action plans (NAP) for the Guiding Principles for Business and Human Rights pursuant to specific guidelines and methodology.⁹

Within the European Union, Directive 2014/95/ EU¹⁰ obliges large EU companies to publish non-financial information on respecting human rights as well as information on diversity in their companies. The obligation for non-financial reporting has imposed an obligation on large EU companies to take measures and to follow them accordingly in terms of the impact on employees, the environment and local communities, and in terms of human rights as well. The company has an obligation to report not only on its operations but also on the impact on its supply chain. This directive is of essential importance for the Macedonian (North Macedonia) companies that have business partners in the European Union due to the fact that they frequently impose requests in terms of respecting human rights on our companies.

Companies around the world, with different dynamics and commitment, are working to implement the Business and Human Rights Principles and comply with established standards. The implementation of the Principles is a continuous process that brings with it a series of challenges, but also opportunities for learning and improving the operation. In order to assist companies in GPBHR implementation, a series of guides/ manuals has been developed - tools at international and national levels that “guide” companies through the processes of making their policies and operations compliant with human rights standards. The process of dissemination and compliance with the recommendations contained in the Principals is supported by the increasing tendency between business sector actors to respect and care for international standards, primarily human rights standards, in their operation.

⁸ Ibid. p.26

⁹ Republic of North Macedonia has not developed a NAP

¹⁰ DIRECTIVE 2014/95/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups

Business benefits from respecting human rights

In addition to value and legal arguments on why companies should respect human rights, implementing principles of respect for human rights can bring business benefits to the Macedonian (North Macedonia) companies, as well as make them more competitive. In a situation where the companies in our country are faced with significant staff outflow, especially young and educated staff, consistent application of the business framework and human rights will allow the company to take the position of a desired employer, to attract quality employees who are demanded on the labour market. In addition, it will help the company to build a loyal, productive team that will bring both financial success and a good reputation to the company.

Respecting human rights will allow the company to build a good relation with the local community in which it takes part in and a loyal consumer base as well. In recent years we have witnessed business ventures which, due to the lack of adequate access to human rights, caused revolt among the population, referendums against that business venture that ultimately costs the company money and reputation.

The incorporation of the business and human rights framework makes the company a more desirable business partner for foreign companies and investors. Many Macedonian (North Macedonia) companies as suppliers are already facing obligations imposed by large, multinational companies to respect and report on human rights as a condition for concluding a business cooperation agreement. Conversely, companies that do not incorporate respect for human rights in their operations are a risk to large multinational companies and will face termination of contracts which is already becoming a common practice. In North Macedonia we have had examples in the textile industry as well, where a foreign business partner terminated the contract with a Macedonian (North Macedonia) company precisely because of the disrespect of human rights and labour standards.

The link between HRBA and GPBHR

The Human Rights-Based Approach (HRBA) is a methodological framework that aims to integrate human rights into development policies and programs. As a concept, HRBA allows for significant and systematic inclusion and strengthening of the most vulnerable categories. Undoubtedly, the Business and Human Rights Framework (BHRF) is compatible with this approach and is a specific system of guidance for businesses when they start a new business or expand an existing business. This handbook combines these two harmonized sources, providing guidance to businesses on how to apply them.

2. CONTEXT

Business and Human Rights in the Republic of North Macedonia

The adoption of the UN Guiding Principles for Business and Human Rights (GPBHR) in 2011 marked the beginning of a period of intensified commitment to protecting, respecting and promoting human rights in business. Since then, countries around the world and companies have been working to bring companies' operations in line with human rights standards. In order to implement the framework more effectively, many countries have adopted national action plans to protect human rights in business. In addition, the number of companies endorsing the 10 principles of the UN Global Compact is growing. Also, more and more companies are making their internal policies and activities compliant with GPBHR.

In the Republic of North Macedonia, experience shows that GPBHR are still insufficiently recognized as a framework for the action of the state and businesses in the field of protection, prevention and taking action when there is human rights infringement. Namely, the country is in process of confirming the political commitment to develop a national action plan as proposed by the inter-sectoral working group¹¹, as a suitable systemic improvement, implementation and monitoring of the business and human rights related situation.

In 2019, Connect published the first study to reflect the state of respect for human rights in the business sector. The survey was conducted by way of digital monitoring of 59 of the 200 most successful companies. In addition, 105 companies participated in a survey. Relevant stakeholders from the civil society sector, trade unions, the business sector, legal experts and experts in the field of GPBHR participated in the survey in a semi-structured interviews. Analysis of the relevant legal framework and policies was done. This methodology provides an overview of the context in our country by defining the levels of awareness, recognition and understanding of businesses regarding GPBHR. Furthermore, the survey identifies the current policies and practices for the implementation of human rights in companies, as well as the challenges, needs and motives of companies to integrate GPBHR in their operations.

Overall, results suggest that, among the companies participating in the survey, there is a limited awareness of the framework and the business and human rights principles of the GPBHR. Companies declaratively care for human rights to the extent required by legal regulations. Still there is a small number of companies that have attempted to integrate GPBHR into their internal policies and conduct a preliminary review of human rights.

The percentage of monitored company websites on which there is a declaration of ethical principles (71.2%) is high: mission, vision and values of the company, principles of management and the like. However, **only one fifth of the monitored companies have a specific document on their website that addresses human rights in the company**. High 74.6% of the companies stated on their websites that they cared about consumer rights¹². Discrimination against certain groups of customers is not perceived as a significant issue, while customer privacy concerns are mentioned in only 16.9% of the cases. An equally low percentage mentions the ethical work of suppliers. When it comes to grievance mechanisms, almost all companies have some grievance mechanism: contact address, email address, online contact opportunity, and customer support centres. However, a relatively low percentage of companies have published more information about grievance procedures, decision-making bodies on appeals and measures to protect the rights of relevant stakeholders. About a fifth of the monitored websites listed a body that decides on the complaints. Only three companies that participated in the digital monitoring have a telephone line for complaints from relevant stakeholders together with written rules on the grievances procedures and mechanisms.

There is a low awareness of the need to develop human rights care mechanisms.

More than a third of the companies do not publish any information regarding the respect for human rights on their websites. In 40% of those who presented information, they are minimal, primarily in the form of declarative efforts. Furthermore, only a small number of companies apply a meaningful approach to human rights protection and human rights

¹¹ The inter-sectoral working group is an informal body composed of relevant institutions, civil organizations, chambers of commerce, representatives of the employers' organizations and the trade unions, established under the EU-funded project „Encouraging Business and Human Rights Principles“ implemented through the European Instrument for Democracy and Human Rights (EIDHR) by Connect in partnership with the Business Confederation of Macedonia.

¹² This content refers, above all, to the care for the quality of the products and services that the company places on the market respecting the contractual obligations and providing grievance mechanisms.

mechanisms are not developed sufficiently. Only 28.8% of the 105 companies surveyed assessed human rights risks, and only 13.6% of them took a thoughtful approach.

Low representation of formal employee support procedures is identified. With 57% of the surveyed companies there is a practice to hear the problems, and with 16% of the companies problems are discussed at meetings organised periodically. Only 10% of the companies have a defined protocol for solving employees' problems. This indicates a low level of formalized communication to hear employees' needs. In addition, only 5.1% of the participant companies hear the needs of the customers.

Due diligence in the field of human rights, i.e. regular monitoring and assessment of the impact of companies' operations on the rights of employees, customers and citizens affected by the company's actions is one of the key segments of the GPBHR and HRBA application. With respect to conducting human rights risks analyzes, a low percentage (17.6%) of the surveyed companies stated that they carried out such activities. Some of them stated that they were not identifying human rights risks and where they were identified, they pertained to the relations between employees. In these cases they were approached with corrective actions (measures for vulnerable groups, adoption of occupational health and safety acts, training for employees). About a quarter of the surveyed companies conducted trainings for the employees on topics related to human rights. The results of these questions suggest that **risk assessment and due diligence procedures are present in an extremely small number of companies**, usually in larger ones.

As expected, the size of the company is an important factor in taking action, and introducing measures and respecting human rights. When it comes to supporting resolution of employees' problems by management, there is a straightforward proportional trend with the size of the company. This trend also applies to grievance procedures. To illustrate, while less than 30% of micro and small companies have established such procedures, more than 80% of medium and large companies implement grievance procedures for employees. Small businesses, again, in a significantly lower percentage, apply other antidiscrimination measures to protect their employees. Regarding the issue of identifying human rights risks, medium-sized enterprises stand out in performing such assessments - the lowest percentage being 8.3%. No significant differences in the training of employees on human rights were noticed. It is interesting to note that the percentage of large companies that are familiar with the concept of GPBHR is the lowest. In terms of cooperation with civil society organisations, large companies are ahead.¹³

The results of the monitoring and the survey lead to the conclusion that there is a relatively low awareness of and compliance with GPBHR among companies. This does not imply that the absence of human rights mechanisms - several legal acts and policies that regulate the operation of companies - is due to the existence of a broad human rights protection framework. However, the numerous challenges posed by law enforcement, as well as the provision of effective judicial and non-contentious mechanisms for protection and compensation in cases of human rights violations, impose the need for a systematic approach to fostering business operations that incorporates respect for human rights. A significant drawback is the fact that the state does not have a defined strategy for promoting respect for human rights in business through action plans. That results as well in the lack of documented data on the situation with certain aspects of human rights in the private sector. The Ombudsman's annual reports on ensuring, respecting, promoting and protecting the human rights and freedoms refer only to the situation in the public sector. From the aspect of the private sector, only private companies that are providers of public services are monitored, where challenges are identified in terms of consumer

¹³ Krajkov, Risto and Dimitrovska, Marija. „Respecting Human Rights in the Business Sector: survey results“: Association Connect, Skopje 2019.

rights and access to public services. In recent years, the Institute of Public Health prepares reports on workplace safety where the report for the period 2016-2017¹⁴ identifies an increase of 20% compared to the previous reporting period, mostly in industry and mining. CSOs working in the field of human rights as well as trade unions regularly report to the public on violations of workers' rights on various grounds (including discrimination and mobbing) in some of the private companies.

The results of the research point to the need for greater sensitization to the problem in the civil society sector and training of companies in conducting due diligence procedures for human rights. Authorities can also show support for these principles by supporting the cooperation with companies that have proven to be committed to respecting human rights in line with the GPBHR. In this context, application of GPBHR and HRBA depends to a large extent on creating a stimulating environment for businesses to incorporate these principles into their policies and operations. Prominent practices that to present have successfully encouraged companies to improve their approach include tools and services at local level as well as businesses awards for human rights commitment that promote and recognize local practices.

3. HRBA APPLICATION IN POLICY PLANNING, BUSINESS STRATEGIES AND PROJECTS

Given that the human rights-based approach is primarily applied to development policies and projects, the focus of its application in the business sector would be in situations where the company is embarking on a new business venture or project such as:

- Entrepreneur starting a new business (start-up)
- Existing company starts a new business line (new product or service) or forms a subsidiary with another activity
- Existing company is expanding into a new market(s).

Of course, the company can apply the proposed methodology at any stage of the business development and in the daily operational work, for which directions are given in the document itself.

We should have in mind that the basic framework of human rights action in the business sector are the UN Guiding Principles on Business and Human Rights (GPBHR). Consequently, the human rights based approach for this sector will be different from those for state institutions and for civil society organisations. The HRBA should include obligations and expectations for companies in line with the GPBHR. Hence, companies cannot be expected to develop a business plan by addressing the problem from a human rights perspective, as would be the case in project planning in the civil society sector. Entrepreneurs are primarily driven by recognizing business opportunities in the marketplace and how to turn such opportunities into profitable business. Sometimes these two aspects are complementary, as is the case with businesses in the green economy or the application of new technologies for the integration of vulnerable groups, etc. There is also a small segment of the business - social enterprises, in which the bigger part of the business idea and the start rely on the human rights-based approach, so with them this framework would be integrated in all steps of the business. Hence, in general terms, when it comes to GPBHR and HRBA compliance, the business sector is guided by the principles of ethical business behavior with no consequences for human rights.

¹⁴ Institute for public health, 2018

Considering that the methodology, as well as the degree of integration of existing human rights in the business, should be universally applicable to all businesses, this methodology was developed on the basis of the second GPBHR pillar as these principles represent a fundamental, globally recognised framework for business and human rights. The presented content is compliant with the methodological framework developed by the UN Global Compact's German network, and has been adapted to the Macedonian context in the manual "5 Steps towards Managing the Human Rights Impacts of Your Business" developed by the association Connect.

According to GPBHR Principle 11: Businesses should respect human rights. This means that they should 'avoid infringing human rights of others and deal with the negative impact on human rights that they are involved in'. Consequently, when starting a new business venture, the company should, from the very beginning, focus on avoiding any adverse impact that the business may have on human rights. Additionally, whenever possible, the company should work hard and increase the positive impact that the business may have. But what must certainly be avoided is to create a positive impact in a certain segment without taking any measure to reduce the possible adverse impacts. The human rights-based approach yields effect in that direction. To illustrate with an example, it can happen as part of a new business investment, that the company finances refurbishment of a health facility and thus provides better health for its employees and their families. This would certainly have a positive effect. However, this cannot exclude the possible negative impact on human rights if the company fails to pay the minimum wage that can ensure quality life for its employees or does not allow trade union association, which is one of the basic human rights. ***HRBA seeks an integrated and proactive approach to human rights that gives priority to avoiding/preventing negative influences within the GPBHR framework, followed by creating additional positive effects on human rights.***

The company should strive to develop a culture that will proactively promote human rights within the framework of its policies and daily action and that will create a business environment that will be based on respecting human rights and non-discrimination on any grounds.

The proactive approach to human rights in the business sector according to GPBHR covers three levels:

- 1** Policies in which the company shall clearly state its obligation to respect human rights
- 2** Due diligence procedure that allows for identification of impacts of the company's business on human rights, followed by assessment, prevention, mitigation and elimination of adverse impacts on human rights
- 3** Process with functional mechanisms that will provide compensation in case of adverse impact of the company's business on someone's human rights.

In all three levels, it is of great importance that the company includes the stakeholders such as employees, business associates including suppliers, local community representatives, consumers, civil society organizations, etc. An open and structured consultation process at every step of the methodology will enable the company to ensure that the opinions and needs of stakeholders are reflected in the human rights policies and action plans in the company.

GPBHR, hence this methodology, are applicable to companies from all industries and sizes by adapting them according to company's operating circumstances. Thus, the scope and range of application will vary between a small, newly started business and a large company breaking into a new foreign market. In doing so, GPBHR requires companies to prevent the negative effects on human rights not only arising directly

from their activities, but also to prevent the negative effects of their products/services and other business relations even when they do not contribute directly (for example abuse of company's products by a totalitarian regime, etc.).

3.1. Policies in which the company clearly states its obligation to respect human rights

When starting any new business venture, the company should clearly and publicly declare its commitment to respect human rights. Acceptance of this obligation should be incorporated into the company's core policies such as the code of ethics - a document of values and principles of operation, or any other document prepared and adopted by the company. This statement should be approved and communicated by the top management of the company (the director, the board of directors, etc.) and be formulated in consultation with the relevant stakeholders and appropriate experts. It should be communicated within the company, as well as outside of the company with business partners, suppliers, customers and consumers, institutions and the general public. Furthermore, it is important to translate the declared commitment into the company's practical, sectoral policies, such as: employment and human resource management policy, procurement policy, environmental protection policy, customer and consumer care policies, etc. If the company has already existing policies with a declared commitment to respect human rights, it is necessary to check whether they correspond to the new business venture and to properly revise them. According to the three possible scenarios for new business venture, this step of the methodology would be applied as follows:

Type of business venture	Policy approach
Start-up	Incorporate a statement of responsibility for respecting human rights in the code of ethics or other document of values and principles. Engage in other policies in the development phase according to the due diligence.
Existing company with new business line	Analyse the existing policies, whether they correspond to the new business line according to the due diligence. If yes, they can be applied as they are, or revised accordingly so to be applicable to the new business.
Expanding to a new market	Analyse the existing policies, whether they correspond to the new market according to the due diligence. Here, in particular, the focus is on the context in another country that could have other potential human rights consequences (other vulnerable categories, etc.).
Introduction of GPBHR in an existing business	Analyze existing policies whether they incorporate commitment to GPBHR. If not, to incorporate a statement of responsibility for respect for human rights in the code of ethics or other document of values and principles. Then, to be reflected on other domestic policies.

3.2 Due diligence for human rights

A proactive human rights-based approach in line with GPBHR requires the company to conduct the so-called due diligence. This includes assessing real and potential impacts that the company may have on human rights, acting to prevent, reduce and eliminate negative impacts, monitor and inform about the steps taken. Due diligence for human rights must include impacts based on:

- a) company's own business activities. This, for example, covers labour rights of company employees, potential pollution as a result of direct production, safety of products and services, and the like.
- 6) direct impact of activities, products and services arising from business relations. This may apply to the value chain (for example, where the supplier is abusing child labour) or to the use of products and services by third parties in a manner that infringes human rights (for example where digital technology is used to block freedom of speech by undemocratic regimes).

The second aspect can be especially important for companies entering new markets. Thus, a product or service that is used in our country without adverse effects on human rights, in another country may be misused or used in a manner that violates someone's human rights. This is especially important to identify for companies that have significant business relations with governments.

As an initial preparation for due diligence, the company needs to learn more about and understand better human rights, so that it can make an appropriate analysis and take appropriate measures that will enable application of the human rights-based approach.

In the light of the human rights-based approach, it is especially important that the due diligence process includes consultations with key stakeholders - human rights holders and their representatives such as trade unions, civil society organisations, business associations, etc.

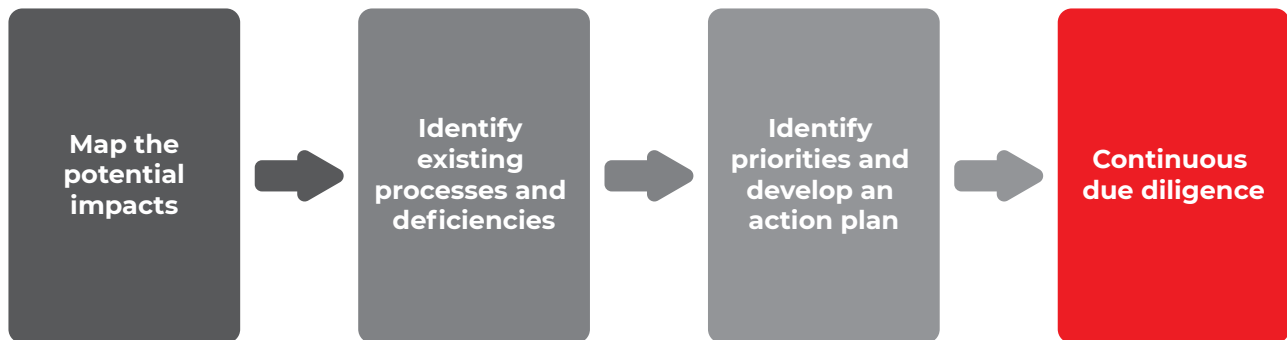
Application of due diligence in relation to new business ventures:

Type of business venture	Policy approach
Start-up	Conduct a complete due diligence process for human rights in accordance with the methodology
Existing company with new business line	Where the company has already done due diligence for human rights in other segments of its business, it can use the same framework but reflect the new business line. The focus would be on identifying potential new stakeholders, impact(s) of the product/service and possible significant changes in the production process.
Existing company with new business line	Where the company has already done due diligence for human rights in other segments of its business, it can use the same framework for the new context. While the operating process itself is likely to remain the same, in this case it is especially important to re-identify stakeholders, business relations and the use of the product/ service in the new market.

Introduction of GPBHR in an existing business

The company should determine whether it has previously conducted a pre-verification process. If yes, review whether all aspects of the methodology have been applied. If not implemented, complete the pre-screening process according to the methodology.

The due diligence process consists of the following steps¹⁵:



Mapping potential impacts

In this step, the company analyzes and identifies key segments of its business that may have an impact on human rights. A map of key business areas and business relations is prepared, including: procurement and access to raw materials, production, logistics and transport, distribution, sales, waste treatment, etc. It also identifies key business functions in the company that are important to include in the analysis such as: human resources, occupational health and safety, quality management, procurement, marketing, etc. The impact on human rights in each of these areas will largely depend on the size of the company, the industry in which it operates, where it is located in the value chain, and the like. For example, with a manufacturing company, the impact in access to raw materials will have a potentially greater impact on human rights than with a service company. Companies that employ a large workforce will have a significant impact on business functions related to human resources, while this will not be the case in micro companies.

In this stage it is especially important to identify the stakeholders - human rights holders, as covered in Chapter 4 of this methodology.

During the mapping process, based on consultations with relevant stakeholders, the company asks the following questions:

- What potential negative impacts on human rights can we have in our individual business areas?
- Who are the potential stakeholders in each of these areas? What are the specific risk groups? For example, if we procure raw materials from Africa, potential stakeholders would be plantation workers or miners, while special groups at risk would be children, seasonal workers, rural women, etc., depending on the context.

¹⁵ More detailed guidance for the application of these steps is presented in the guide "5 Steps towards Managing the Human Rights Impacts of Your Business" <http://konekt.org.mk/wp-content/uploads/2020/03/Konekt-Brosura-5-cekori-MK-web.pdf> (in Macedonian) and <http://konekt.org.mk/wp-content/uploads/2020/03/Konekt-Brosura-5-cekori-ALB-web.pdf> (in Albanian)

- What are the relevant business functions for dealing with these impacts? As mentioned above, it can be human resources, procurement, research and development, etc.
- Which business relationships are key to the impact on human rights in each of the business areas? For example, in the process of supplying raw materials, it can be intermediaries, in sales - sales agents, in production plants in North Macedonia - suppliers of service services, packaging, etc.

Identifying existing processes and deficiencies

This step deepens the analysis by identifying in the above-mentioned business areas the relations of the processes or practices that the company applies to respect human rights and to reduce negative impacts. In this part of the analysis, information is extracted from the company's existing policies, procedures and documented practices. In this regard, companies that are just starting their business are in a great starting position because they can, from the beginning, based on the analysis, establish processes that will protect human rights in all segments of the business processes.

At this stage, the starting point for the company are the stakeholders. Based on the mapped potential human rights impacts, the company analyses its key business functions. It asks the following questions:

- What measures are we taking to eliminate / prevent / reduce potential or existing adverse human rights impacts? New companies can address this issue from the point of view of the existing business plan. This is a good opportunity for the company to identify what it could cover.
- What do we lack in the processes / procedures / measures that could increase the risk of violating someone's human rights? What do we need to do to promote some or all of our human rights?
- Do we have all the necessary information to complete the analysis? Do we need any additional information?

To illustrate: a company can identify in the field of human resources a potentially negative impact - discrimination of women who are part of the workforce. The company may already have or plans to develop a policy on promoting women in management positions and increasing investment in their education. It may also have established with its suppliers of raw materials the practice of forming local councils for community consultation. Or the company may determine that it does not have a functional trade union or a system of grievances due to discrimination that is shared with employees and is confidential and impartial. The company may also find that there is not enough information on the pay gap between men and women in the company and that they do not have information on whether community councils are equally actively including women from the local community.

Setting priorities and developing an action plan

Once deficiencies have been identified, or when new key business processes are being established and need to be taken into account, priorities are identified and an action plan is developed for the priorities. Setting priorities is necessary because no company, especially a new one, has unlimited resources (financial, material and human) to address all the possible impacts of business on human rights. Priorities are determined on the basis of the following criteria:

- How serious would the impact on human rights be? Where a company has a business process that can be life threatening, such process must be treated as a priority.
- What would be the range of the impact, i.e. how many people would be affected by it?
- How difficult would it be to remove the harmful impact? If the damage is irreversible (permanent injury, permanent destruction of natural resources, etc.) then it will be a high priority area.
- What is the probability of a negative impact on human rights? For example, when we have suppliers from all over the world, suppliers from countries with a high protection of human rights will not have a high priority in terms of addressing the risk, whereas suppliers from countries that have poorer performance in human rights protection must be included in the measures of the action plan.
- In terms of suppliers, hardly any company in the world has the opportunity to analyse and cover all levels of suppliers. It is common practice for a company to cover the first level of suppliers (direct suppliers), while for the other levels to transfer the responsibility for the suppliers to, and to cooperate with, companies from the same industry so as to share information and create a sectoral approach. It is also important that the company take into account the importance of a given function or supplier for the business in terms of volume and business processes. For example, if a business is heavily dependent on a large workforce, then the aspect of workers' rights must be a priority in the action plan.

Based on the established priorities, the company should develop a human rights based action plan. The action plan can contain a series of different measures and approaches such as:

- Developing new policies or revising existing policies;
- Additional analyses and collection of information to identify in more detail the possible negative and positive impacts and to further monitor the impact;
- Changes in the processes and the way the business is conducted;
- Change of procedures and introduction of new procedures and measures;
- Education and training of employees to recognize and proactively act in case of identified human rights risks;
- Education of suppliers and mandatory clauses in contracts with them;
- Joining sectoral human rights promotion initiatives;
- Establishment of a continuous system of consultations and involvement of stakeholders in identifying and dealing with possible negative impacts on human rights;
- Additional measures for proactive increase in positive impacts on human rights (employment of people from vulnerable groups, investments in green technologies, etc.).

Measures should be designed so as not to treat stakeholders as passive recipients, but to seek to empower them to recognize their rights, to understand how business can affect their human rights and how they can exercise them. Some of the measures will be short-term and can be implemented immediately with small investments and resources. Others will require a longer-term approach and can be implemented in the medium or long term with significant investment of resources by the company. It is important that the action plan contains a combination of these measures so as to avoid delaying the application of the human rights-based approach or reducing the measures to insignificant, cosmetic procedures that will not result in essential respect for human rights.

Measures that the company plans to take need to be properly documented and communicated at all levels of the company.

Continuous due diligence

The due diligence process is not a one-time thing. It should become an integral part of the ongoing business planning because the business environment and circumstances are constantly changing. This process requires clear and focused responsibilities about human rights to be assigned in the company, openness to continuous communication and feedback from stakeholders, creating a culture of learning about human rights and the impact of business on human rights, continuous monitoring and assessment of the effects of measures and their continuous revision and promotion, and the like.

In order for a company to consistently apply the human rights-based approach, it is necessary to nominate responsible employees at different levels of the company (sectors, management, etc.) by including specific tasks and responsibilities in their job descriptions relating to due diligence, implementing the action plan and the measures, performance monitoring, etc.

3.3 Process that allows for compensation in case of negative impact of business on someone's human rights

Even when the company fully implements the methodology and establishes the best policies and practices for respecting human rights, in reality there may be a violation (intentional or unintentional) of a certain human right by the company. The company can also contribute towards negative impact on a particular human right. In such situations, the company should take a proactive approach and put in place:

- processes for reporting potential violations of human rights i.e. a grievance mechanism, and
- compensation mechanism, separate or in cooperation with other stakeholders.

These processes and mechanisms should be provided for all key stakeholders and business processes (for example mechanisms concerning labour relations, consumer compensation concerning human rights breach, etc.). Grievance and compensation mechanisms should be easily understandable and readily available to human rights holders and should motivate stakeholders to use them. It is necessary to introduce precise protocols that will define the process: checking the application, documenting, damage assessment, communication with institutions, and the like in a manner that would ensure impartiality and accessibility to all stakeholders. In cases where there are findings of criminal offenses, the company should cooperate with the judicial authorities.

Complaints and redress processes and mechanisms should be utilized at the company level as an opportunity to learn and feedback where policies and/or action plans need to be revised or supplemented. Due to this it is of great importance that after every appeal procedure the responsible team makes an appropriate reflection and analysis of the case and identifies the gap that has arisen between the declared policies and the daily practice.

4. IDENTIFICATION OF STAKEHOLDERS

In order for the company to properly identify and treat its impact on human rights, it is necessary to identify stakeholders. In this case, these are all groups of people on whom the company's operations could have an impact across the value chain as well as in the community in which the company operates. The identification of stakeholders should be as detailed as possible, that is, in addition to the general target groups, sub-groups i.e. specific stakeholders should be identified. This is because the stakeholder groups are not homogeneous and company policies and activities will not have the same impact on all of them. For example, one of the key stakeholders of the company in terms of human rights are the employees of the company. But among employees, the impact on human rights may not be the same between men and women, different ethnic groups, employees of vulnerable categories, different ages, etc.

In identifying stakeholders from a human rights perspective, the company should identify and take into account those groups of citizens who are at particular risk of possible negative impact from the company's operations. The reasons why these stakeholders are at particular risk may be due to a number of factors that are not at all related to the company, such as:

- They have specific needs and requirements (for example people with disabilities, older citizens, etc.);
- They are often unable to express themselves openly (for example children, women victims of violence, etc.); or
- They are traditionally stigmatized or excluded from social flows (for example ethnic groups, rural people, etc.).

It is important for the company to consider these aspects because if a group of citizens is systematically discriminated against by the society at large and by state institutions, it is very likely that the same group will face discrimination and violation of their human rights from co-workers and in the local community.

When determining the relevance of stakeholders for the company, the company should, according to the human rights-based approach, ask the following questions:

- Which groups of citizens could potentially find themselves in a situation where some of their human rights are violated as a result of our business?
- In which segments of our business (including the supply chain and suppliers) is there a risk that their human rights will be violated?
- What rights would be violated in such a case?

While some stakeholders will be immediately apparent, due to the above factors some of them will be "hidden" and will need to be identified through appropriate information collection, analysis and consultation. The company can use relevant reports and analyses that identify vulnerable groups in society, media articles as well as previous experiences of companies from the same industry. If possible, it is advisable for the company to consult with CSOs, trade unions, chambers, etc. to more precisely determine the stakeholders - human rights holders who could be impacted by the company from a human rights perspective.

Depending on the specifics of the business venture, identifying stakeholders should include:

Type of business venture	Policy approach
Start-up	Identify the stakeholders according to the indicated methodology and depending on the size of the business
Existing company with a new business line	Where the company has already identified the stakeholders, it needs to reflect whether the stakeholders are relevant to the new business line. The methodology should be used to identify a new stakeholder that previously was not crucial to existing business processes.
Expanding to a new market	Given the specifics of the context, it is necessary to do a full identification of the stakeholders in accordance with the methodology. The possible previous experience can be used in terms of knowing the key human rights risks in a given industry.
Introduction of GPBHR in an existing business	If the company has already gone through a pre-checking process of the HR, it has probably already identified the key stakeholders so it can reflect on the methodology whether any of the stakeholders may not have been covered. If the company has not done a pre-inspection so far, the stakeholders should be identified as well as for a new business

Companies with a strategic approach to respecting and promoting human rights are developing consultation processes directly with human rights holders (and their representatives) taking into account the difference in power in relation to the company and the state. Also, some of them conduct in-depth community impact assessments that they publicly share and on which they base their policies.

It is desirable that the company clearly identify its stakeholders in its policies and communication with the public with respect to human rights and the ways in which it seeks to protect them.

5. HRBA AND BUDGETING

As stated in Chapter 3, the human rights-based action plan will involve a combination of processes and measures that will require different levels and range of resources. Therefore, it is necessary for the company to properly budget all the measures that are part of the action plan. In this regard, the budget may cover different segments such as:

- Investment in new technologies and machines that will contribute to reducing adverse impacts on human rights. For example, new machines and technologies can improve workers' health and safety, help reduce pollution, waste or improve energy efficiency, and improve product quality (for example eco-products that improve health) or service quality (for example better privacy protection).
- Funds related to human resources. This may involve additional resources to overcome the gender pay gap, increase the minimum wage, support vulnerable groups so as

to integrate them into the work process, staff consultations through union, employee consulting, and more.

- Funds for improving occupational health and safety.
- Funds for training and for monitoring respect for human rights with suppliers.
- Funds for employee training for development and implementation of human rights protection related policies and processes.
- Funds for regular assessment of the business' impact on the community (for all segments related to human rights).
- Funds needed to establish and manage grievance mechanisms as well as compensation funds.

Depending on the type of business venture, budgeting can be based on the following approaches:

Type of business venture	Policy approach
Start-up	Prepare a budget that will reflect the commitment to respect human rights in accordance with the company's financial ability. Identify opportunities to use the initial value-added investment from a human rights perspective. For example, provide from the very beginning funds to purchase equipment that is energy efficient and offers a higher level of occupational health and safety, the payroll structure o guarantee decent income and equal wage for the same type of work, etc.
Existing company with a new business line	The existing budget to incorporate the elements listed in the methodology. Like in starting a new business, take the opportunity to use the initial investment to promote human rights.
Expanding to a new market	The existing budget should be updated with elements necessary for respecting human rights in the new market in accordance with the action plan. Revise current projections given the likely differences that will arise in the needs and specifics of stakeholders in the new context.
Introduction of GPBHR in an existing business	In the existing budget the elements that contribute to the promotion of human rights according to the methodology should be identified. It is then necessary to identify where appropriate resource allocation is lacking and to anticipate it by budget revision or in the next budgeting cycle.

If the company carries out appropriate due diligence at the very beginning and establishes appropriate policies and business processes that respect human rights, it will be able to plan and use resources in a timely and efficient manner. Proactive involvement of stakeholders will allow the company to find effective solutions with smaller financial investments, and will contribute to reducing costs in the long run and even contribute to financial gain.

6. APPLICATION OF HRBA IN THE PROCESSES OF MONITORING AND EVALUATION

It is important for companies to monitor progress in respecting human rights, and that process should be embedded in the regular monitoring and evaluation of business success. In order to achieve this, the company must necessarily develop basic performance indicators in terms of human rights in various segments of its operations (labour, occupational health and safety, environment, product use, etc.). These indicators should be incorporated into the company's existing monitoring mechanisms, such as internal and external audits, incident and accident reports, and the like. Indicators should also be developed for company's investments in the promotion of human rights (delivered trainings, invested funds, etc.).

As the company progresses in applying the human rights-based approach, it needs to develop a more detailed system of key performance indicators that will be continuously measured, monitored and evaluated. In this process, it is desirable for the company to request feedback from the human rights holders, experts, information from CSOs, etc. which will be incorporated into the evaluation of its performance as concerns human rights.

In addition, in order to strengthen the commitment of the responsible staff to improve the human rights respect framework, the company should introduce performance indicators in the job descriptions of responsible employees and assess employee performance against them.

Type of business venture	Policy approach
Start-up	Develop and set out several key performance indicators related to respect for human rights in the overall system of business performance indicators.
Existing company with a new business line	Review existing performance indicators and, if necessary, add specific human rights indicators. If there is a core group of key indicators, this process is a good opportunity to upgrade the list of indicators with new indicators that will monitor the performance with respect to human rights.
Expanding to a new market	If they already exist, use the existing performance indicators that will be monitored separately for the new market (so as to avoid misrepresentation if monitored integrally at the company level). Depending on the stakeholders and the new context, determine the need to add new indicators to monitor progress with respect to human rights.

Introduction of GPBHR in an existing business

Review existing performance indicators and, if necessary, add specific human rights indicators that have been identified as missing. If there was a basic set of key indicators, the process is a good opportunity to upgrade the list of indicators with new indicators that will monitor the performance in terms of human rights.

The process of monitoring and evaluation, in addition to playing an important role in improving the company's performance in respecting human rights, should also be used to inform and consult with the general public. Hence, the company needs to establish a reporting mechanism inside and outside the company that will improve its transparency and accountability. The human rights related notification can be included in the company's existing annual business reports, the annual reports on sustainability and social responsibility, or a special notification can be made by companies with potentially significant impact on human rights..

7. MONITORING INDICATORS

Chapter 6 methodology sets out guidelines for a systematic approach to monitoring and evaluating human rights progress in the company. The number and complexity of the indicators that the company will set depends on the size of the company, the resources at its disposal and the impact it may have on human rights. Large multinational companies are developing a tracking framework that may contain a thousand human rights indicators.

On the other hand, it is very important that other stakeholders in society have the opportunity to monitor the level of application of GPBHR and HRBA in the business sector. This is important for both human rights holders and the civil society, especially for organisations whose work is related to human rights protection. Also, monitoring these processes is important for state institutions because according to columns 1 and 3 of GPBHR, the state has a clear obligation to provide protection against human rights abuses by third parties including businesses, as well as to provide access to legal remedies in the event that companies violate these rights. This chapter sets out a framework of indicators that will help monitor the application of GPBHR and HRBA in the business sector.

Setting indicators in this segment is challenged by the availability of information and the ability to monitor indicators consistently. In order to gain a complete depiction of the level of respect for human rights by the business sector, it is necessary to conduct surveys and research among companies that require significant resources which are not usually available. Therefore, the proposed framework of indicators offers basic indicators for the business sector that could and should be available to the general public and are contained in official documents and in the communication between companies and institutions. If companies consistently apply the methodology proposed in this document then this information and indicators would be easily and publicly available. In terms of use of indicators, the very lack of publicly available information indicates a gap in the application of GPBHR by companies.

The indicator framework is organised according to the steps in the proposed methodology. It also provides guidelines for sources of information from which data on the indicators would be drawn. In their analysis, users can apply them collectively, or by industry sector, company size, etc.

Indicator	Additional notes	Information sources
Planning policies, business strategies and projects		
Policies with clear statement of commitment to human rights		
The company has a clearly stated statement on respect for human rights adopted by the top leadership	The statement may be separate or part of the codes, statements of principles and values, etc. and can be tracked collectively or by document type	Ethical code or other code of conduct Declaration of principles and values Strategic documents and policies
The statement for respect for human rights is publicly available		Company website Annual business reports and / or sustainability and social responsibility reports
The declared statement is reflected in the company's other policies	There is a declared commitment to respect specific human rights policies for certain business functions.	Policies for individual business functions: <ul style="list-style-type: none"> ■ human resources policy ■ customer protection policy ■ quality policy ■ health and safety policy ■ environmental policy, etc.
Due diligence for human rights		
The company is conducting a due diligence process	If the company has conducted any due diligence process, the outcome of the process should at least identify the potential risks of adverse effects, stakeholders and how the company plans to act to prevent, eliminate or reduce them.	Codes and policies Annual business reports or reports on sustainability and social responsibility Company website
In the due diligence process involved and consulted are civil society organisations, institutions, trade unions, business associations, representatives of human rights holders.	Monitoring this indicator can be divided into: <ul style="list-style-type: none"> ■ right holders ■ other target groups 	Annual business reports or reports on sustainability and social responsibility Company website
The company identifies the key possible adverse impacts on human rights as a result of its actions (including among suppliers and business associates) and communicates them publicly.	As a first step, even if you do not complete the due diligence process, the company may address the possible negative impacts on the industry in which it operates, and make it possible to grade in tracking the degree of compliance. It can also be tracked separately whether the information is publicly available or it is an internal document of the company.	Annual business reports or reports on sustainability and social responsibility Company policies and strategic documents (business plan, new investment plan, etc.) Company website

Indicator	Additional notes	Information sources
The company has assigned responsibility in relation to the HR in specific job positions / persons	It can be a single job position or be assigned to different positions depending on the identified stakeholders and the impacts on the human rights	Management and governance structure Job description Publicly available information on the website
The company fulfills regularly and completely the legal obligations regarding the rights of the employees (level of income according to the work done, type of employment contracts, regularity in the payment, etc.).	Several sub-indicators can be considered separately: <ul style="list-style-type: none"> ■ regularity of payment of salaries and contributions ■ the receipt corresponds to the work done and no refund is required ■ number of employment contracts versus the use of temporary employment contracts (through an agency) ■ avoidance of requesting the signing of a statement of employment, etc. 	Data from state institutions (ESA, Labour Inspectorate, PRO, State Statistical Office, etc.) Information from trade unions or employee officials (but not complaints from individual employees)
Participation of different social groups as part of the workforce and as part of the leadership (men / women / transgender, ethnic groups, people with disabilities, age groups, etc.)	Two levels can be tracked: <ul style="list-style-type: none"> ■ current condition ■ progress / regression in time period 	Company website Data from relevant state institutions Annual business reports or reports on sustainability and social responsibility
The company has a trade union organisation or its employees are members of trade union organisations	Where there is no trade union, the company can monitor whether there is a Council of employees as a formal body for consultations and negotiations in the company.	Data from trade union organisations Data from employers' organisations (EOM and BCM) Website and company reports
Number and type of imposed inspection sanctions, action of the ombudsman and / or court proceedings regarding: <ul style="list-style-type: none"> ■ workers' rights, including discrimination, mobbing, etc. ■ health and safety at work ■ quality, health and safety of products and services ■ consumer rights ■ environment ■ bribery, fraud, etc. 		Official information from relevant institutions

Indicator	Additional notes	Information sources
<p>The company monitors the performance in terms of human rights issues and communicates appropriately to the public and stakeholders:</p> <ul style="list-style-type: none"> ■ employees structure ■ levels of pollution, waste etc. ■ occupational injuries ■ grievances and compensation with respect to violated human rights, etc. 	<p>Two levels can be tracked:</p> <ul style="list-style-type: none"> ■ current condition ■ progress / deterioration over time 	<p>Annual business reports or reports on sustainability and social responsibility</p>
<p>The company introduces due diligence clauses with its suppliers, business associates and customers.</p>	<p>These provisions may include obligations to identify risks related to human rights, obligations to respect workers' rights, occupational health and safety, anti-corruption policy, and the like.</p> <p>Contracts with customers may include obligations to use the product / service exclusively for the intended purpose and not to abuse it to violate any human right (especially if the buyer is a government institution)</p>	<p>Model contracts with suppliers, business contracts, etc. Procurement policies Sales, marketing and other policies</p>
Processes and compensation mechanisms for cases of HR violation		
<p>The company has set up a grievance and compensation mechanism</p>	<p>The mechanism can be overall (a procedure for violating any human right) or per different stakeholder (employees, consumers, the wider community, etc.).</p>	<p>Procedures and sector policies Company website Employment contracts Agreements with customers, customers and suppliers Procurement agreements</p>
<p>The grievance and compensation procedure is clear, detailed and publicly available</p>	<p>Different aspects can be considered:</p> <ul style="list-style-type: none"> ■ describes all the steps of the grievance procedure so that the stakeholders know exactly what to do and expect from the company ■ the detailed explanation is publicly available or comes down only to the online message format ■ the manner and type of compensation is clearly provided for different types of human rights violations 	<p>Company website Line or other user/customer support mechanism Agreements with customers, consumers and suppliers (if publicly available) Procurement Agreements (if publicly available)</p>

Indicator	Additional notes	Information sources
The grievance and compensation mechanism is readily available to all stakeholders, provides impartiality and encourages stakeholders to use it.	For example, is it available in multiple languages, can people with disabilities access it, is it clearly understandable, or is it lost in a maze of legal terminology and citation of laws?	Company website Line or other user / consumer support mechanism
Identification of stakeholders		
The company identifies key stakeholders whose rights could be violated due to company's actions	Information provided should be more than a general list and should identify which segments of the business could influence the human rights of these groups.	Company policies Annual business reports or reports on sustainability and social responsibility Company website
In the process of identification various social actors are consulted, including representatives of the human rights holders		Annual business reports or reports on sustainability and social responsibility Company website
The company also identifies key stakeholders in suppliers (first level)		Company policies Annual business reports or reports on sustainability and social responsibility Company website
Budgeting		
The company invests resources in promoting HR at all levels of operations	Sub-indicators can be monitored for specific aspects: <ul style="list-style-type: none"> ■ investing in green technologies ■ investing in improving the health and safety of employees and the community ■ investing in an increased level of HR protection in products and services ■ investing in human resources (increasing the minimum wage, reducing the gender pay gap, etc.) 	Annual business and financial statements Annual reports on sustainability and social responsibility
Monitoring and evaluation		
The company has established minimum indicators for monitoring performance with respect to HR	The complexity of the indicators can be monitored in progression, from a few basic indicators to a more extensive framework for monitoring progress.	Annual business reports or reports on sustainability and social responsibility
The company also informs the public and stakeholders about the performance in relation to HR		Annual business reports or reports on sustainability and social responsibility Company website

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