

## Guide to Social responsibility

This guide has been produced to assist furniture producers in their social responsibility work. It contains information about what these requirements entail, the work that furniture producers are expected to carry out and the type of documentation needed to verify that these requirements are followed.

### Why does Möbelfakta have social requirements?

Every year more than 2.3 million people around the world die as a result of their work. In total there are 317 million workplace accidents per year.<sup>1</sup> Around 21 million people are in various kinds of forced labour.<sup>2</sup>

Child labour is gradually falling. Since 2000 the number of children at work has dropped by more than 30%. But 168 million children are still at work, of which 85 million are doing hazardous work.<sup>3</sup>

Discrimination, harassment, unreasonable pay and working hours that far exceed the legal level are widespread in many of the world's countries.

Like many other organisations and in large parts of the private and public sectors, Möbelfakta wants to help change the situation. Not all problems can be solved overnight: bringing about change is a long-term process. Our main goal is to improve the situation for people who actually produce the goods and services that we consume.

### What is required of a furniture company?

In order to label its furniture with Möbelfakta, the president or board chairman must fill out and sign a declaration certifying that the furniture company ensures, through a systematic programme, that the furniture and its component parts are manufactured in accordance with the social responsibility requirements in Möbelfakta's requirement specification.

The furniture company must be able to present documentation that proves that it follows the criteria in Möbelfakta's social responsibility requirements in its own operations and in the supplier chain.

Choosing which work method that is relevant and how extensive the work needs to be depends on where and by whom the furniture and its component parts are manufactured. A risk assessment of the manufacturing of the furniture and its component parts and materials against set requirements is the basis of the systematic approach.

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<sup>1</sup> <http://ilo.ch/global/topics/safety-and-health-at-work/lang--en/index.htm>

<sup>2</sup> <http://ilo.ch/global/topics/forced-labour/lang--en/index.htm>

<sup>3</sup> <http://ilo.ch/global/topics/child-labour/lang--en/index.htm#a1>

## What do these requirements contain?

Möbelfakta's requirements on Social Responsibility follows United Nation's "The Global Compact"<sup>4</sup>, a code of conduct which is based on UN's declaration of human rights<sup>5</sup>, ILO's basic conventions of human labour rights<sup>6</sup>, the Rio-declaration<sup>7</sup> as well as UN's convention against corruption<sup>8</sup>. Work environment requirements are also included, which are based on ILO's conventions on occupational safety and health<sup>9</sup>.



**Human rights** are about people's right to live. About the right to food and a roof over their heads and freedom from torture and slavery. About the right to their innermost thoughts and creeds, about freedom of expression and freedom from discrimination, about the right to education and work and freedom of association. Particular attention is paid to women, children, refugees and minority groups.

**Good working conditions** are based on human rights and include good employment terms and fair pay. They also include working hours that follow the law and do not lead to an infringement of human rights. They include freedom of association, collective bargaining and power to influence your working situation. No one should be subject to forced labour, the children's right to education shall not be infringed and young workers should have extra protection.

**Good work environment** means a safe physical and psychological workplace that promotes good health. It is about the right to survive and the protection from injury or ill-health. It is about fire safety, protection against hazardous substances and good ergonomic principles. Training, routines and preventative work are necessary.

**Environmental responsibility** means to minimise the impact of production on the local and global environments. It is about being aware of the actual impact and a systematic work for reducing it. It is about following the law and about training for employees. About the safe handling of hazardous substances and high-risk processes. About preventative work and taking the initiative to constantly improve your environment performance.

**Anti-corruption** is about sound business methods.<sup>10</sup> Gifts, rewards or other benefits may not be used to influence a business decision. It is also about putting a stop to unlawful competitive practices.

<sup>4</sup> <https://www.unglobalcompact.org/what-is-gc/mission/principles>

<sup>5</sup> <http://www.manskligarattigheter.se/sv/vem-gor-vad/forenta-nationerna/fn-s-allmanna-forklaring>

<sup>6</sup> <http://www.ilo.org/declaration/lang--en/index.htm>

<sup>7</sup> <https://sustainabledevelopment.un.org/rio20/futurewewant>

<sup>8</sup> <http://www.unodc.org/unodc/en/treaties/CAC/index.html>

<sup>9</sup> <http://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/occupational-safety-and-health/lang--en/index.htm>

<sup>10</sup> In part 3, Social responsibility, in Möbelfakta's requirement specification, anti-corruption work is a recommendation and not a mandatory requirement.

## What does systematic social responsibility work entail?

Möbelfakta's requirements on social responsibility should be followed wherever the furniture and its component parts and materials<sup>11</sup> are manufactured. That is why the furniture companies need to work systematically with issues in their in-house operation and in their supplier chain. A systematic approach includes a policy statement from top-level management, a risk analysis with accompanying action plan and clearly defined processes and routines for performing and following up the work. In the following section, we describe the steps that systematic social responsibility work includes.

### Inside your own company

The majority of Möbelfakta's requirements on Social responsibility part 3.3 are subject to Swedish law. But compliance with the law cannot always be taken for granted. Crimes against discrimination and work environment laws are perpetuated on a regular basis, even in Sweden. The industry therefore needs to work actively to ensure that the law is followed.

**Step 1** is to ensure that the areas affected by the requirements are included in the internal management, e.g. in policies, guidelines and routines. Not all the requirements need to be kept in one place; they can be incorporated into personnel policy, environment policy or work environment policy. It is the company's responsibility to make sure that all the areas in Möbelfakta's social requirements are integrated into the internal management. Internal communication and training of employees is crucial for the guidelines to have an effect within the company. **Step 2** is to find out whether set policies, guidelines and routines are followed internally by the company. This can be done via an internal audit or other form of systematic and regular assessment. The assessment should be performed once a year and documented in a suitable manner. A system that allows employees to report non-compliances, a complaints mechanism or Whistleblower function should be in place.

**Step 3** is to implement improvements if the results in step 2 show that they are needed. The length of the improvement work varies depending on what needs to be done. The important thing is that it is conducted in accordance with a set plan and that it is documented.

A developed management system simplifies the work. Collective bargaining agreements clarify and help ensure that the requirements are followed.

#### **Facts about management systems in social responsibility, environment and work environment**

There are certification systems that prove that a company meets all or some of Möbelfakta's requirements on social responsibility. SA8000 is a comprehensive standard for social responsibility which is rare in the Nordic countries. In the environment field there is ISO 14001 and in the work environment field there is OHSAS 18001.

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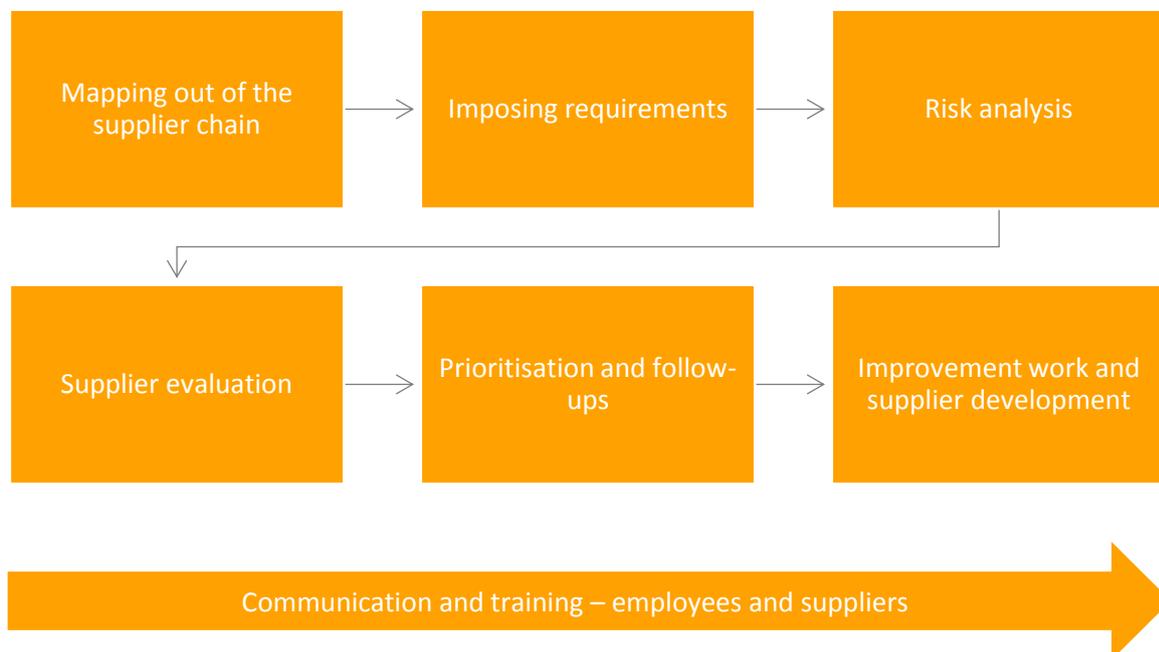
<sup>11</sup> Standardised components such as screws, washers, staples, floor pads, etc. are exempted.

## In the supplier chain

The biggest risks in the area of social responsibility can sometimes be found in the company's supplier chain.

In the furniture industry there are many different kinds of supplier chains, where the furniture company that labels the furniture can also be the manufacturer of the furniture and/or its component parts or purchases all or most of the furniture from other manufacturers. In certain cases, there are agents/importers between the company and the actual manufacturer. Möbelfakta's requirements apply wherever the furniture and its component parts and/or materials are manufactured.

Möbelfakta requires a systematic approach to sustainability work in the supplier chain. The key to this is a solid risk analysis, where **potential risks** for crimes against human rights and labour laws, adverse environmental impact and lack of business ethics are identified. These risks are then tackled with a view to preventing any adverse effects. Any adverse effects should be remedied and compensated



*Möbelfakta requires the furniture companies have a systematic social responsibility work. Routines and clear distribution of responsibilities should be in place and documentation should be available. The model is just one example of a work sequence. Exactly how the work should be planned depends on the structure of the company's supplier chain. For detailed requirements, see "Möbelfakta's requirement specification".*

## Which parts of the furniture and supplier chain are affected?

Möbelfakta's requirements apply wherever the furniture and its component parts are manufactured or produced. A comprehensive list can be found at [www.mobelfakta.se](http://www.mobelfakta.se). Standardised components such as screws, washers, staples, floor pads, etc. are exempted. Möbelfakta encourages companies to impose requirements also on those suppliers, assess the risks and also follow them up.

## Mapping out the supplier chain

One of the preconditions for allowing furniture companies to be assured that the furniture and its component parts are produced under good working conditions is that it knows who manufactures what and where. The furniture company needs to map out who these companies are (name of company, address, and contact details) and find out which parts of the manufacturing is carried out on-site. Examples of questions to pose: Where do the component parts come from? Is only some of the assembly work performed at the plant? Do sub-contractors or home workers perform certain tasks? In cases where the sub-contractors refuse to give out information about their or their sub-contractors' manufacturing, the furniture company is encouraged to contact Möbelfakta for a discussion about confidentiality<sup>12</sup>.

## Impose requirements

The furniture company shall impose requirements equivalent to the content in part 3: Social responsibility in Möbelfakta's requirement specification and ensure that the requirements are observed down to manufacturing level. Therefore, the requirements on agreement partners (if applicable) need to be formulated so that they also cover the manufacturing of the furniture's component parts. Written documentation proving that the requirements are in place and accepted by the manufacturer must be kept available. It is also important that the supplier is required to inform the company if production is being moved or outsourced to a sub-contractor.

These social requirements can be included in agreements that are concluded with the supplier. The requirements could be incorporated into a "Code of conduct for suppliers" or equivalent that the furniture company designates. Another alternative is to use Möbelfakta's sub-contractor certificate "Möbelfakta – SA Certificate supplier" that the supplier should sign.

## Risk analysis

When you have a clear picture about which parts are manufactured where, it is time to perform a risk analysis. The purpose of the analysis is to identify where the risks of non-compliance with the requirements are greatest. Exactly how the risk analysis is performed depends on how many sub-contractors the furniture company has. A risk analysis needs to be repeated when any changes are made, e.g. if a new company or supplier is engaged or in the event of any major changes internally or with the supplier/manufacturer.

Companies that assess their entire chain of suppliers may need to include commercial parameters in their risk analysis. Möbelfakta requires, however, that the furniture and its component parts and materials are risk-assessed, see list at [www.mobelfakta.se](http://www.mobelfakta.se).

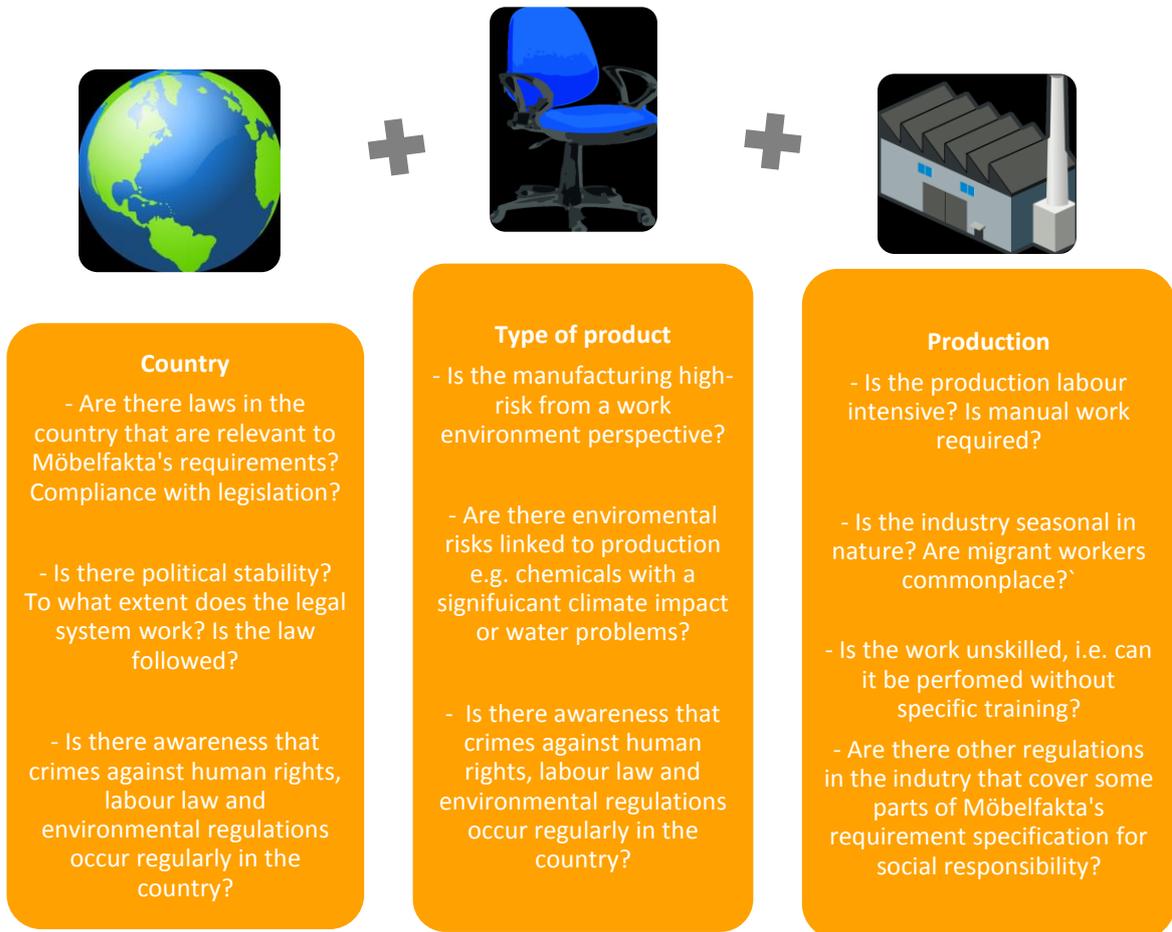
The risk analysis should be documented in manner that makes it clear how the furniture companies think and so that the risk can be adjusted in conjunction with any changes in the chain of suppliers. One tool for helping to ensure that assessment is systematic is to prepare a simple template/table, in which you can clearly outline how you assess each supplier. Examples of templates can be found at [www.mobelfakta.se](http://www.mobelfakta.se).

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<sup>12</sup> A confidentiality agreement can be signed between the Möbelfakta and supplier under which the supplier reports compliance with the social requirements directly to Möbelfakta.

Prerequisites for successful risk analysis:

In essence, risk analysis is a tool for getting to know your chain of suppliers based on where the supplier is located, what they manufacture and how. Each risk analysis should include three basic parameters, see picture below, but more parameters can be included if they are relevant.



The furniture company needs to obtain facts about possible risk elements that are associated with the production process or industry, and about which materials constitute a risk (depending on their origin or hazard in handling, for example) and about the situation in the manufacturing country, in some cases also the specific region. Facts are crucial for a risk analysis. Information can be obtained from government authorities, non-profit organisations and/or expert groups in environment and human rights movements, see suggested links in the box below.

**Suggested internet links:**

- International Trade Union Confederation (ITUC) – landreports on working conditions and human rights:  
<http://survey.ituc-csi.org/?lang=en>
- Business Social Compliance Initiatives (BSCI) landrisks:  
<http://www.bsci-intl.org/resource/countries-risk-classification>
- CSR-compass:  
<http://offentlig.csr-kompassen.se/>
- Swedish government on human rights:  
<http://www.manskligarattigheter.se/sv/manskliga-rattigheter-i-varlden/ud-s-rapporter-om-manskliga-rattigheter>
- Human Rights Watch:  
<https://www.hrw.org/>
- Transparency international – landreports on corruption:  
<http://www.transparency.org/country/>
- Swedwatch  
<http://www.swedwatch.org/sv/rapporter>
- US Department of States reports about landrisks and human rights:  
<http://www.state.gov/j/drl/rls/hrrpt/>
- International Labour Organization:s (ILO):  
<http://www.ilo.org/global/lang--en/index.htm>

Once you have systematically analysed the risks for possible non-compliance, a suitable next step is to perform an assessment of the company's own systematic work approach, see description in next section.

If it turns out that the supplier has a good systematic work method in place, it could mean that the overall risk is reduced. In that case the combined risk assessment will indicate a low risk, despite the initial assessment suggesting otherwise. Please note that an analysis linked to country, product and production/industry is needed even if the supplier has a good systematic work approach.

## Supplier assessment

The supplier evaluation can be seen as the second stage in the assessment of risks of non-compliance with set requirements. If the supplier and/or manufacturer have their own systematic sustainability work in-house and in their supplier chain, it could mean that the risks associated with manufacturing furniture and its component parts that Möbelföretaget has identified are already being addressed.

In order to effectively evaluate the manufacturer/supplier, the furniture company needs to know what it is assessing and how. There should be routines in place for this. The evaluation can consist of a simple questionnaire where the sub-contractor is asked to describe how they handle sustainability work, if they have been audited and if so if the reports are available, if they have relevant third-party certifications and if they in turn impose requirements on their subcontractors, etc.

If the supplier can prove that it implements a systematic social responsibility work both in-house and with respect to its suppliers, this reduces the risk of non-compliance. The same applies if there are trade unions and collective bargaining agreements in place. A high-season for product, migrant workers and personnel who are not employed directly by the supplier, on the other hand, means there is an increased risk.

Möbelfakta provides a simple list of questions for the initial supplier assessment “Möbelfakta Initial assessment of suppliers” which can be useful start for a first assessment. After the supplier assessment, the risk analysis can be adjusted, which in turn affects the next stage in the work: “Prioritisation and follow-up”.

## Prioritisation and follow-up

The risk analysis and supplier assessment form the basis of the prioritisation of the follow-up work. In cases where the risk analysis and/or supplier assessment indicate a low risk<sup>13</sup> of non-compliance with the social requirements, a follow-up does not need to be prioritised.

Unless the risk is deemed to be low, the furniture company has to find out more about the actual situation.

The follow-up can be performed in different ways while the self-assessment, own auditors and third-party audit, see figure below. One activity does not exclude the other, they are complementary to each other.



Audits are both a means to identify non-compliance with Möbelfakta's social responsibility requirements and a way to deepen the partnership with the sub-contractor. It is also a good opportunity to raise awareness about these issues among plant management, local agents and representatives from wholesale and retail companies.

When requirements equivalent to Möbelfakta's Social responsibility requirements are followed up, an on-site audit needs to be performed by an auditor with the right qualifications. The auditor needs to be experienced in audits, be familiar with the country's laws and be able to speak the local language, as the employee interviews and documentation inspections are important parts of a full audit.

A third-party audit gives credibility to the work. For labelled furniture to meet Möbelfakta's requirements, the furniture company must have a plan for when third-party audits are performed and in what scope<sup>14</sup>. The risk analysis is the departure point for the plan, and establishes how comprehensive the plan needs to be.

<sup>13</sup> e.g. that the operation is conducted in a low-risk country only or that production is covered by certifications SA8000 and ISO14001.

<sup>14</sup> i.e. in cases where the risk analysis and/or supplier assessment do not indicate a low risk<sup>14</sup> of non-compliance with the social requirements.

To show that awareness of the actual situation in manufacturing exists, the furniture companies must be able to present at least one audit report<sup>15</sup>. The audit does not need to be commissioned specifically by the furniture company, but must be carried out by a third-party auditor who has the expertise described above. If non-compliances are discovered, a plan of action should be included in the report.

### Improvement work and supplier development

If non-compliances are found in the audit, the all-important improvement work is the next step. The supplier is asked to draw up an action plan that contains the non-compliances, a cause analysis, people in charge and a time plan. It should also include a description of how the non-compliances will be remediated. Non-compliances which are systematic in nature, that is to say they have arisen because of the lack of routines, are extra important.

The key words in this approach are cooperation and improvement. A good relationship with the suppliers is key. The goal is to encourage suppliers to share any problems while also outlining how they intend to improve the situation.

The procuring company also needs to analyse its own methods of purchasing goods and evaluating whether its own actions make it difficult for the supplier to comply with set requirements. Examples of questions to ask is: What is the time plan and ordering procedure? Are there any late changes?

The object is to motivate the supplier into being willing to effect real change. One example is to highlight the business gains you get from taking social and environmental responsibility in the form of reduced costs, more satisfied, better-performing employees and minimised short-term and long-term risks.

### Communication and training

In order to make improvements possible, it may also be necessary for the procuring company to actively work on raising the supplier's awareness about the possibilities for making changes to the operation. The forms of help and support that are available depends on the relationship between buyer and seller, but support can be provided in the form of training, help with developing management systems and more.

It is also important that the furniture company trains employees whose work is affected by the social responsibility considerations in Möbelfakta's requirement specification. This covers employees in purchasing, communication, quality, logistics etc.

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<sup>15</sup> *i.e. in cases where the risk analysis and/or supplier assessment do not indicate a low risk<sup>15</sup> of non-compliance with the social requirements.*

**Examples of work processes** <sup>16</sup>

The furniture company, which operates in Sweden, assembles its own furniture on-site at its production facility. The furniture consists of textiles, chrome-plated metal parts and wood. The components to the furniture are manufactured in Finland, Bangladesh, China and Vietnam. Requirements corresponding to the social responsibility requirements in Möbelfakta's requirement specification are imposed in writing.

**Risk analysis:** The furniture contains components that are entail a risk from a work environment and environment perspective, as hazardous substances are presumed to be used in production. Three of the countries in the supplier chain are not assessed as having a low risk. The work stages in the supplier chain are deemed to be relatively unskilled, which increases the risk of Möbelfakta's social responsibility requirements not being followed.

**Supplier assessment:** The furniture company performs a supplier assessment by asking its suppliers a number of control questions. Supplier A in Vietnam is certified according to SA8000 and ISO14001. Supplier B in China does not work systematically with social responsibility, but it does have an up-to-date report from an audit performed by a proper audit company. Supplier C in Bangladesh does not work systematically with social responsibility and there is no information about the situation regarding human rights, working conditions, work environment in its production environment.

**Prioritisation and follow-up:** The furniture companies prioritises supplier B and C for further follow-up. It asks to see audit reports from supplier B and then ensures that the non-compliances are remediated. During a visit to supplier C the furniture companies initiates a discussion regarding social responsibility and performs a simple check using Möbelfakta's checklist. After this, a third-party auditor performs an audit. A representative for the furniture company's is on-site during the audit.

**Improvement work and development:** After the audit the parties agree on aspects that need to be improved and discuss how the furniture company can make it simpler for the supplier to take steps.

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<sup>16</sup> The example has been simplified and should be taken as indicative of the work as a whole.

## Möbelfakta provides support

The following is available as support for social responsibility work:

- **Möbelfakta's "Guide to social responsibility"**
- **Möbelfakta's training programmes**
- **Country risk assessment**  
There are a number of lists of risk countries. One has been prepared by the organisation BSCI:  
<http://www.bsci-intl.org/bsci-list-risk-countries-0>
- **Möbelfakta's "Sub-contractors certificate Social responsibility"**  
This document can be used by companies that do not place requirements on their own subcontractors equivalent to the Social responsibility in Möbelfakta's requirement specification.
- **Möbelfakta's Declaration/Requirement specification**  
The questions can be used as a self-assessment questionnaire for agents and wholesalers.
- **Questions for initial supplier assessment "Möbelfakta Initial assessment of suppliers"**
- **Checklist Social responsibility "Basic social compliance checklist Möbelfakta"**  
A simple checklist that the furniture companies can use checklist that the furniture company can use when performing its own supplier visits.

If you as a furniture company have any questions about Social responsibility in Möbelfakta's requirement specification, you are welcome to contact Möbelfakta. For further information see [http://www.mobelfakta.se/about\\_mobelfakta](http://www.mobelfakta.se/about_mobelfakta)