

# Amendment document

MÖBELFAKTA'S

REQUIREMENTS SPECIFICATION 2021-04-01

# Manual

This amendment document applies to Möbelfakta's updated requirements according to changes in standards from April 1, 2021.

- **Yellow text** meaning new text compared to previous version of the requirements (2019-05-01)
- **Overwrite** (and underscore for **\***) meaning text is removed compared to previous requirements

Only sections containing markings show changes to previous requirements  
Parts not appearing in this document remain the same (chapter 2 and 3).

## **General information about revision 2021-04-01**

### **Responsible Supply Chains – Social, Environmental, And Ethical Responsibility (valid from 1 April 2021)**

New criteria for Part 3, social responsibility, apply from 1 April 2021. Part 3 is hereby amended and will henceforth be called Responsible supply chains with regard to social, environmental and ethical responsibility.

The purpose of the revision of Möbelfakta's requirements in Part 3 has been to ensure that these continue to correspond to the requirements set in national public procurement. At the time of formulating Möbelfakta's requirements (part 3) in the current version, these are in full harmonized with the Procurement Authority's requirements for sustainable supply chains at the advanced level and the National Office for Sustainable Procurement.

### **Correction in Part 1, Quality, 1.5.1.1 Artificial leather**

Correction in tear strenght SS-EN ISO 4671-1:2016, corrected to ISO 4674-1:2016 Rubber- or plastics-coated fabrics — Determination of tear resistance — Part 1: Constant rate of tear methods

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## 1.5 Upholstery

For furniture with upholstery, the following requirements on the upholstery shall be met. Applies to seating furniture, screen and sound absorbents. Not all the requirements below are applicable to screens and sound absorbents, see exceptions below.

### 1.5.1 Leather

This specification sets the requirements for a leather furniture upholstery. An alternative to the specified requirements specified in the table below is that the leather upholstery fulfils the requirements in SS-EN 13336:2012. The requirements do not apply for sheepskin. For artificial leather, requirements specified in 1.5.1.1.

Characteristics	Test method	Requirements:
Colour fastness to rubbing Decolouring and change in colour	EN ISO 11640:2018* EN ISO 11641:2012 – Artificial sweat  Assessment according to: EN ISO 105-A02:1993 and EN ISO 105-A03:1993 Assessment according to grey scale	<u>Aniline</u> - dry leather/dry fabric 50 cycles. ≥ 3-4 - wet leather/ dry fabric 20 cycles. ≥ 3-4 - sweat-soaked fabric 20 cycles. ≥ 3-4 <u>Semi-aniline</u> - dry leather/dry fabric 500 cycles. ≥ 4 - wet leather/ dry fabric 150 cycles. ≥ 3 - sweat soaked fabric 80 cycles. ≥ 3 <u>Surface-dyed</u> - dry leather/dry fabric 500 cycles. ≥ 4 - wet leather/ dry fabric 250 cycles. ≥ 3 - sweat soaked fabric 80 cycles. ≥ 3
Light fastness	EN ISO 105-B02:2014 Xenon arc light Assessment according to blue scale	Aniline ≥ 3 Semi-aniline ≥ 5 Surface-dyed: ≥ 5
Adhesion – surface finish**	EN ISO 11644:2009	- dry ≥ 2 N/10 mm - wet ≥ 2 N/10 mm
Flexing resistance	EN ISO 5402-1:2017	Aniline: Not applicable Other: 20,000 cycles No finish cracks permitted
Tear strength	EN ISO 3377-2: 2016	≥ 20 N
Determination of cold crack temperature of surface coatings	EN ISO 17233: 2017	Aniline: Not applicable Other: 10°C, No finish cracks permitted.
Colour fastness to water spotting	EN ISO 15700: 2000 EN ISO 105-A02:1993. Assessment No manual treatment before testing	≥ 3 No permanent swelling permitted

\*Tests performed according to EN ISO 11640 are accepted until 2021-12-31

\*\*The requirement is only applicable if there is a smooth surface layer that can be glued against a board without the glue penetrating the surface layer. The surface layer must also be > 15 µm for the requirement to be applicable.

### 1.5.1.1 Artificial leather

The following standards set the requirements for an artificial leather shall fulfil. An alternative to the specified requirements in the table is that the upholstery fulfils the requirements in SS-EN 15618:2019+A1:2013 Level (with the deviation for Adhesion where level E applies and Tear strength where level C applies) regarding these properties.

Characteristics	Test method	Requirements:
Colour fastness to rubbing Decolouring and change in colour	SS-EN ISO 105-X12:2016	- dry $\geq 4$ - wet $\geq 4$
Light fastness	SS-EN IOS 105-B02:2014	$\geq 5$
Adhesion – surface finish	SS-EN ISO 2411:2017	- longitudinal $\geq 15$ N - transversal $\geq 15$ N
Tensile strength	SS-EN ISO 1421:2017	- longitudinal $\geq 250$ N/5cm - transversal $\geq 180$ N/5cm
Tear strength	<del>SS-EN ISO 4671-1:2016</del> ISO 4674-1:2016	- longitudinal $\geq 20$ N - transversal $\geq 20$ N *

\*Applies only to artificial leather with fabric base.

## 3 RESPONSIBLE SUPPLY CHAINS – SOCIAL, ENVIRONMENTAL, AND ETHICAL RESPONSIBILITY

Möbelfakta's Requirements Specification Part 3 is based on the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the OECD Due Diligence Guidance for Responsible Business Conduct.

The requirements are divided into two chapters. **Chapter One (3.1)** comprises specific requirements in the areas Human Rights, Labour Law, Environment, and Anti-corruption. **Chapter Two (3.2)** comprises requirements regarding the company's work to systematically identify and manage risks of non-compliance with the requirements stated in Chapter One (3.1).

The requirements apply to the entire supply chain. Supply chain refers to both the company's own operation and the supplier chain. Supplier chain refers to the company's suppliers and subcontractors that are directly connected with extraction of raw materials and production of labelled products.

In the preparation of Möbelfakta's Requirements Specification (Part 3), current version, it was ensured that the requirements were completely harmonised with the requirements of the National Agency for Public Procurement (Upphandlingsmyndigheten) regarding sustainable supply chains at advanced level and the National Secretariat for Sustainable Procurement (for more details, see Appendix).

Requirements in the sections on guidelines are retrieved from and based on the UN Guiding Principles on Business and Human Rights and the National Secretariat for Sustainable Procurement document, "Guidelines – Contractual terms, sustainable supply chains".

### 3.1 Requirements within human rights, labour law, environment, and anti-corruption

The requirements in this chapter are presented in detail in four areas. For each area, the requirements show the minimum level of compliance for the company in its own operation and in the supply chain.

The company must comply with national and local legislation in the countries in which operations are carried out. In cases where international provisions stipulate stronger protection for the individual than national legislation, the company must take reasonable measures to follow the international provisions.

Audits may be carried out of the company and its suppliers and subcontractors. Full transparency is expected from the company regarding compliance with the requirements. In the event of a company or its suppliers violating the requirements, corrective measures must be taken. A corrective measure means that a company ensures that it, or the supplier, remedies the non-compliance as quickly as possible.

#### 3.1.1 Human Rights

Human rights refers to compliance with the UN Universal Declaration of Human Rights (1948)\*, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights.

- The company must support and respect human rights and has a responsibility to respect and promote the human rights, both within its own operations and in the supplier chain.
- The company must ensure that it does not participate, directly or indirectly, in violations of human rights. This also includes situations when the company fails to pose questions on violations of human rights or benefits from violations that are carried out by a third party.

### 3.1.2 Labour law

Labour law refers to compliance with the International Labour Organisation Declaration on Fundamental Principles and Rights at Work\*, the UN Convention on the Rights of the Child, Article 32\*, the labour law legislation, including provisions on wages, working hours, leave, and social insurance protection, that applies in the country in which the work is carried out\*, and the labour protection and work environment legislation that applies in the country in which the work is carried out\*.

#### **Child labour is prohibited (ILO 138 and 182\*, UN Child Rights Convention, Article 32\*)**

- No person may be employed who is below the age of compulsory schooling or under 15 years, or younger than the minimum age of employment, if this age exceeds 15 years.
- Young people between the ages of 15 and 18 may not be employed for hazardous work, or work that has a negative impact on the individual's personal development (physical, psychological, mental, spiritual, moral or social development). Young people between 15 and 18 may only be employed on condition that they have reached the legal age for employment and have completed national compulsory education. There must be a policy in place for the types of tasks a person aged between 15 and 18 may carry out.
- If child labour is detected, the company must take action based upon the best interests of the child, and find suitable solutions in consultation with the child and the family of the child.

#### **Forced labour is prohibited (ILO 29\* and 105\*)**

Forced labour, including slave labour, bonded labour or involuntary prison labour may not occur, and all labour must be voluntary without threat of penalty or similar.

- The employee must have the right to terminate their employment following a reasonable period of notice.
- The company may not retain original copies of ID documents.

#### **Discrimination and harassment is prohibited (ILO 100\* and 111\*)**

- Discrimination on the basis of ethnic affiliation, sex, civil status, pregnancy, religion, social or ethnic origin, nationality, physical ability, political opinions, union membership, gender-crossing identity or expression, age, health condition, or sexual orientation, or other character trait that is protected by applicable legislation, may not occur. Discrimination refers to any distinction of employees that is not based on merits or qualities, but involves differential treatment on biased grounds.
- The company must work to promote diversity and equal opportunities in the operation.
- Harassment may not occur in the operation. Harassment refers to instances when employees are exposed to harsh or inhuman treatment, including sexual harassment or some form of psychological or physical punishment.

#### **Freedom of association and collective bargaining (ILO 87\* and 98\*)**

- The company must recognise and respect the rights of employees (and employers) to organise, to join organisations in which they themselves choose to participate, and the right to collective bargaining. Collective bargaining refers to formalised and/or non-formalised forms of cooperation to support and defend employees' interests in working life and in the relationship between employers and employees.  
In countries where freedom of association is limited or under development, the supplier must support instances where employees may meet the company management to discuss wage and labour conditions without risk of negative consequences.

#### **Terms of employment, wages, and working hours**

- All employees must have a written employment agreement that includes information about the nature of the work, working hours, wages, and holiday leave.
- The employer must ensure that all employees understand their terms of employment, for example with the help of a staff handbook and training.

- Wages must be paid directly to the employee within the agreed timeframe and in full.
- The company must support the payment of living wages to employees, and under no circumstances pay less than the national or locally stipulated minimum wage.
- Overtime must be voluntary, and overtime compensation must be paid according to national legislation, and must be clearly specified in payslips.
- Working hours per week must not exceed legal limits or a maximum of 60 hours per week, including overtime.
- The employees must have at least one day of rest per week.
- The company must ensure that the employees have breaks during the working day.
- Leave, including vacation, holidays, sick leave, and parental leave must be approved and compensated in accordance with national legislation.
- All employees must be covered by social insurances in accordance with national law.

#### Safe and hygienic work environment (ILO 155 and 170)

- Employees working in the company operation must be offered a safe and healthy work environment in which preventive measures are taken to reduce injury and risks to health. A safe and hygienic working environment is one in which the employee, when occupying an area over which the employer has direct or indirect control, is guaranteed to be free from or protected from conditions that can constitute a hazard for the employee's physical and/or psychological health.
- A register is to be kept of accidents and incidents. Incidents are such events that could have led to an accident.
- Employees must be trained on the potential health risks that the work can entail, including hazardous operations and general safety information. Employees must regularly be given relevant training and instructions for operating machines and other equipment.
- Employees must have access to all necessary protective equipment without having to pay for it themselves.
- Temperature, air quality, and noise levels must be regulated in accordance with local legislation. Where the work environment cannot be changed, it must be mitigated with protective equipment.
- Chemicals must be handled safely, and safety data sheets must be available.
- Fire drills must be held regularly. Fire equipment, evacuation plans, and emergency exits must be available and clearly visible in all areas.
- The workplace must be clean, fresh, and safe. Hygienic facilities must be available. This also applies to employee accommodation.

### 3.1.3 Environment

Environment refers to compliance with the environmental protection legislation that applies in the country in which the work is carried out\*, and the operation must be carried out with consideration for the company's surrounding environment.

- The company must conduct its operations responsibly in relation to the environment and comply with local and national environmental legislation. There must be a system in place for checking compliance with legislation, along with lists of relevant legislation.
- The company must identify, measure and follow-up its environmental impact, and long- and short-term environmental goals, with associated action plan, must be drawn up to ensure continuous improvement.
- In choices of materials and manufacture of furniture and its component parts, the precautionary principal must be observed regarding environmental risks.
- All employees must be provided with environmental training, and the company must implement suitable initiatives to promote greater environmental awareness.
- The company must encourage the development of environmentally friendly technologies.



### 3.1.4 Anti-corruption

Anti-corruption refers to compliance with the UN Convention Against Corruption\* and the bribery legislation that applies in Sweden, in the country in which all or parts of the product are manufactured, and other countries' laws that otherwise govern the company's operation.

- The company must combat all forms of corruption, including blackmail and bribery.
- The company must not, directly or indirectly, offer undue payment or other forms of compensation to any person or organisation with the aim of obtaining, maintaining, or directing business operations, or receive other undue advantages within the framework of its operation.
- The company must not, directly or indirectly, request or accept any form of undue payment or other forms of compensation from a third party that can affect the objectivity of business decisions.

## 3.2 Policies and procedures

To ensure compliance with the requirements described in Chapter 3.1, the company must have a systematic method of working to prevent and manage any non-compliance with the requirements and to ensure continuous improvement.

The requirements below make clear what procedures the company must have in place within the framework of its systematic work. The systematic work and its procedures must be documented and continuously applied in the company's own operation and in the supplier chain. The procedures must be proportional to the risks in the company's own operation and in the supplier chain.

For each requirement, guidelines are provided to further clarify the meaning of the requirements and what the company needs to consider in order to comply with the requirements

### 3.2.1 Policy obligation

The company must have adopted one or more policies that:

- at least cover the requirements described in Chapter 3.1,
- have been approved at the highest executive level in the company.

#### 3.2.1.1 Aim and guidelines

The aim of the policy obligation is to ensure that the company is aware of its responsibility, and that its actions respect the requirements described in 3.1. The policy obligation must also ensure that the responsibility is supported in the operation. The policy obligation must also be available to business partners and other stakeholders connected with the company's operation.

A policy obligation is a publicly available declaration of intent (i.e. available for both internal and external actors), that describes the company's responsibilities, obligations, and expectations regarding the requirements described in 3.1. The obligation applies to both the company's own operation and the supplier chain, as well as in other business relations. The company's obligations concerning the requirements described in 3.1 can be expressed in one single policy or in several separate policies. It can also be integrated into one or more of the company's policy documents, such as its own code of conduct and in a code of conduct for suppliers. In order for the policy obligation to be effective within the company's organisation, it must be adopted by the highest executive level.

### 3.2.2 Communicating the policy obligation

The company must have procedures for conveying the policy obligation in its own operation and in the supplier chain, which ensures that the company:

- communicates the policy obligation to employees in the company and ensures that the obligation is generally available, for example at the workplace or on the company's website,
- communicate in writing the requirements described in 3.1 to the suppliers with whom the company has a contractual relation (first-tier suppliers),
- ensure that the requirements described in 3.1 are communicated from suppliers with whom the company has contractual relations (first-tier), further along the supplier chain.

#### 3.2.2.1 Aim and guidelines

The aim of requiring the company to communicate the requirements described in 3.1 (policy obligation) is to ensure that the obligation is communicated to relevant actors. This applies to both actors who themselves are expected to introduce corresponding obligations in their operations (such as suppliers and subcontractors) and stakeholders who have an interest in the implementation (such as business connections, investors, consumers, and interest organisations).

Communicating the requirements must ensure that employees, stakeholders, suppliers, and subcontractors at different tiers in the supplier chain are made aware of the company's policy obligation to respect the requirements. In addition, they are expected to act in accordance with the requirements.

The policy obligation must also be supported all the way from the highest executive level to relevant employees in the company, who otherwise may take action without being aware of the requirements or without considering them. The obligation may be communicated through relatively simple means, such as publishing it on the company's website or intranet. In addition, the company can provide internal training to increase awareness of the meaning of the policy obligation within its own operation.

The requirements must be communicated to businesses with which the company has contractual relations. It is not sufficient that a policy is available to suppliers; the requirements must be accepted in writing. When required, the requirements must also be translated into local languages. In addition, the company can provide training for suppliers to promote capacity building in the supplier chain with the aim of raising awareness of the requirements in different tiers of the supplier chain.

The risks of non-compliance are often greater in the subcontractor tier. It is therefore important that the company communicates the responsibility, i.e. imposes requirements in these tiers as well. Through agreements, a company can demand that suppliers in turn communicate corresponding requirements in their supply chains.

### 3.2.3 Division of responsibility

The company must have:

- appointed one or more people at executive level to be ultimately responsible for the requirements described in 3.1,
- appointed one or more persons with operative responsibility to ensure compliance with the requirements described in 3.1 in the company's own operation and in the supplier chain,
- made clear what the responsibility entails.

### 3.2.3.1 Aim and guidelines

The aim of requiring a clear division of responsibility is to ensure that the company has appointed people at executive level to ensure compliance with the requirements described in 3.1.

For a policy obligation to be effective, and to ensure compliance, an internal division of responsibility is required. Ultimately, it is the executive management that is responsible for compliance with the obligation, so someone in the management team must be made responsible. It is also important that the company ensures that individuals with operative responsibility have relevant expertise within each area of responsibility. Naturally, the division of responsibility can vary, depending on the size and structure of the company, but one or more persons in executive positions must have the ultimate responsibility. Day-to-day responsibility can then be delegated within the organisation.

### 3.2.4 Risk analysis

The company must have procedures for regularly carrying out risk analyses in its own operation and in the supplier chain, which ensures that the company can:

- map the supplier chain, at least including the suppliers where furniture and component parts are actually manufactured, in an up-to-date list with names and addresses of these facilities,
- show an action plan to increase traceability in the supplier chain in those cases where traceability is low,
- show that the staff members who work with risk analyses are allocated the time and the in-service training required for the task,
- show how it identifies current and potential risks in its own operation and in the supplier chain regarding compliance with the requirements described in 3.1, on the basis of confirmed information and updated information from credible sources,
- show the identified risks in its own operation and in the supplier chain (regarding the products that are included in the labelling),
- show how the company prioritises its identified risks in its own operation and in the supplier chain on the basis of degree of severity

#### 3.2.4.1 Aim and guidelines

The aim of requiring that the company conducts risk analyses is to ensure that the company regularly identifies risks of non-compliance with the requirements described in 3.1.

As risks are constantly changing in response to new business relations, changes in production, new laws, etc., a risk analysis should be carried out at least in conjunction with such changes. Risk refers to both actual and potential negative impact on the basis of the requirements stated.

The risk analysis process comprises both identification and prioritisation of risks. For identifying risks in the supplier chain, it is important that the company also has procedures in place for mapping this. Risk analyses need to be conducted on a regular basis, and must be relevant for the part of the company's operation that involves Möbelfakta-labelled products.

It is important to emphasise that identifying a risk does not, in itself, mean non-compliance with the requirements. It is important to present the risks that actually exist. What is then crucial is that the company in the next stage shows how these risks are managed and counteracted. Procedures for risk analysis can be included in the company's broader risk management system.

#### Mapping the supplier chain

Awareness of the supplier chain is essential for identifying and managing relevant risks of non-compliance with the requirements described in 3.1. The length and complexity of the supplier chain also affects the risk of non-compliance. It is therefore important that the company is familiar with the supplier chain in order to determine what measures may need to be introduced. It is also important to be aware of the type of operation conducted by the companies in the supplier chain, such as whether they are wholesalers or producers, and where they conduct their operations.

How the company maps the supplier chain can vary, depending on the information to which it has access. If the company has full access regarding where the production takes place, it can conduct a detailed survey with specified information. If the company has limited access regarding where the production takes place, the survey can be conducted partly with specified information, partly with publicly available information, along with assumptions about where production may be taking place. If the company has very limited information about the supplier chain, which is commonly the case where raw material extraction is involved, the survey can be based entirely on publicly available information, along with assumptions about where production or raw material extraction is taking place. If the company has limited access regarding the chain, it must take the necessary steps to increase access. It can then continuously survey the supplier chain in order to confirm potential risks. A process to increase traceability in the supplier chain therefore comprises a natural part of the procedure for risk analysis.

For raw materials, the company should at least focus its review on the main raw materials for the labelled furniture, such as wood, textiles, and steel.

### **Identification of risks**

It is important to ensure that all types of risks connected to the requirements described in 3.1 are captured in the risk analysis, both regarding the company's own operation and in the supplier chain. A risk analysis of corruption will, for example, require different sources of information than an analysis of environmental risks. To the company can identify risks of non-compliance with the requirements described in 3.1, it is also important that the company has good awareness of national legislation relating to the requirements.

Risks in the company's own operation should be identified within the framework of the systematic risk management work for each area, for example linked to initiatives on the work environment, staffing, environment, and systematic anti-corruption. The risk analysis should be based on actual knowledge about the company and the prevailing conditions in the operation.

Identification of risks in the supply chain should be based on both the company's own knowledge about the operation and the supplier chain and on reports and analyses from established organisations and expert bodies. These may include UN bodies and organisations such as ICC (International Chamber of Commerce), Amnesty International, International Trade Union Confederation, Freedom House, and Transparency International. Information gathering is crucial for the risk analysis, and the process should be based on internal and independent external expertise, and can involve consultation on tangible risks with individuals, their representatives, and groups that may be impacted. The company should particularly consider vulnerable groups and a broad span of rights holders in the supply chain.

### **Prioritisation of risks**

After conducting a risk analysis, the company, when necessary, needs to prioritise the risks that must be managed first. Prioritisation should be based on the level of severity of the potential negative impact in accordance with OECD Due Diligence Guidance for Responsible Business Conduct. The more severe the negative impact, the higher the priority the company should assign the issue. In assessing what is a severe negative impact, the company should consider scale (how severe the impact is), scope (the number of individuals impacted), whether it is irrevocable in character (the possibility of rectifying the situation and compensating those affected), and the probability of the risk of a negative impact.

An impact that is temporary, impacts few people, and which can easily be restored is not as severe as one that affects people or the environment permanently, affects more people or cannot be remedied, such as fatalities or permanent injury or damage.

When deciding on priorities for risks in the supply chain, the company should take into consideration particularly vulnerable groups, such as children, women, ethnic groups, or indigenous peoples. This process should be based on internal and/or independent external expertise, and can include consultation with groups and other relevant individuals that may be impacted.

### 3.2.5 Follow-up

The company must have procedures in place for systematic follow-up of compliance with the requirements described in 3.1 in its own operation and in the supplier chain. This ensures that the company can:

- show which of the identified risks are selected for follow-up in its own operation,
- show which suppliers and subcontractors are selected for follow-up in relation to the identified risks,
- show when, where, and how often follow-up activities are carried out,
- show which follow-up activities have been carried out to manage the identified risks in the company's own operation and in the supplier chain (regarding the products that are included in the labelling),

#### 3.2.5.1 Aim and guidelines

The aim of requiring that a company has procedures for follow-up is to ensure that the company, as part of its own risk management work, checks compliance with the requirements in its own business operation and in the supplier chain. Follow-up ensures that the company manages its identified risks of non-compliance with the requirements efficiently, and takes any measures needed to enable continuous improvements. The follow-up should be based on risk analyses, with particular focus on prioritised risks (identified and prioritised in accordance with 3.2.4).

When following up risks in the supplier chain, it may in some instances be difficult for the company to assess subcontractors in the chain, due to a lack of access and influence. However, this does not reduce the company's responsibility for managing risks at different tiers in the chain. In these situations, the company must take appropriate measures to monitor and manage the risks according to their circumstances. Collaboration with other organisations and joint industry initiatives are one way of achieving this, and are becoming increasingly common for managing common challenges in supply chains.

#### Follow-up method

The follow-up may be conducted in different ways. Within a company's own operation, follow-up should involve health and safety inspections, in-house audits, staff surveys, and follow-up of relevant performance indicators.

Follow-up in the supplier chain should involve supplier assessment and/or collection of information through self-assessment surveys, in-house or third-party audits, and/or complaints mechanisms. Measures to improve the subcontractors' capacity may also be part of the follow-up, for example through training. If parts of the supplier chain have been reviewed within the scope of some existing social standard, such as SA8000, RBA, EICC or Fair Wear Foundation, these may also form part of the follow-up. The follow-up method may vary depending on the risk, and at the same time it is important that follow-up measures are directly connected to the identified risk.

Audits are a common follow-up method that can provide the company with results that are comparable over time or with country and industry averages. The audits can be conducted by the company itself or through a third party. Audits may vary, depending on the tier in the supplier chain that is being audited. When conducting an audit of a subcontractor that is a wholesaler in a country with a low risk of non-compliance with the requirements, it is more relevant to review the wholesaler's procedures and processes for communicating the requirements and checking compliance. However, if the audit concerns a factory where all or parts of products are manufactured, an on-site audit is needed. An audit report then presents the results, reports any non-compliance, and presents proposed remedies.

A smaller company may have more limited opportunities to conduct their own audits, but they may have a larger company as a subcontractor that carries out its own audits. In such cases, the company can review the subcontractor's audit reports as part of their own follow-up.

In addition to follow-up in the form of self-assessment surveys and audits, complaints mechanisms are an important channel for gathering information about compliance with the requirements. Well-functioning complaints mechanisms can provide the company with continuous information about potential non-compliances that may be difficult to detect in audits.

### 3.2.6 Compliance management

The company must have procedures for non-compliance management relating to compliance with the requirements described in 3.1. This ensures that the company can:

- show how systematic non-compliance management takes place in its own business operation and in the supplier chain with regard to the cause, nature, and severity of non-compliance,
- show whether any non-compliance with the requirements has occurred in its own business operation and in the supplier chain,
- show which appropriate actions were immediately taken to correct identified shortcomings in its own business operation and in the supplier chain.

#### 3.2.6.1 Aim and guidelines

The aim of requiring that the company has procedures for compliance management is to ensure that internal processes are in place to immediately manage any non-compliance caused by the operation or to which the operation has contributed. If it can be established that the company has caused the non-compliance, the procedures must also ensure that the company participates in compensating those individuals who were negatively impacted by the non-compliance.

If all or parts of the production takes place in high-risk countries and in high-risk industries, it is probable that follow-up will lead to detection of non-compliance. However, the fact that non-compliance is detected also implies it can be remedied. The company must be able to show tangible measures relating to the non-compliance that has been detected, and a schedule for remedying the non-compliance.

It is important to emphasise that, in some countries, there may be non-compliance as a consequence of national legislation. In China, for example, the trade unions are controlled by the state, which means that ILO's core conventions 87 and 98 are not respected there. It is not reasonable to demand that suppliers break national laws; instead, such situations require special measures. In spite of the ban on independent trade unions in China, it is for example, possible for employees at a factory to elect local representatives. It is also possible to conduct dialogue between employees and management. Such a situation requires the company to work more actively with these issues in its supplier chain, as part of the compliance management.

#### Action plans

Action plans should be drawn up on the basis of an analysis of the cause of the non-compliance, and must indicate suitable measures and a schedule for implementation. To prevent non-compliance from recurring, it is important to conduct 'root cause analyses'. This involves finding the cause of non-compliance so that effective measures can be implemented. One example is illegal overtime. To remedy such non-compliance it is not sufficient to state that employees are working overtime that exceeds national or international regulations, and demanding that this be stopped. It is also necessary to find out the cause of employees working overtime. Are they being forced by the management? Are they choosing to work overtime because of low wages? Or could there be other causes? This means that the root of the problem can be tackled, to bring about a long-term solution. Otherwise, the risk is that the same non-compliance is identified year after year, with no real improvement taking place.

Measures to correct non-compliance must have a schedule showing a deadline for when they are to be implemented, and for when follow-up will be conducted to verify the correction. The severity of the non-compliance determines the time frames for implementing the measures, and must be decided from case to case. The measures and schedule must be clearly documented and communicated to the supplier.

#### Appropriate measures

The UN's Guiding Principles make a distinction between a company's ability to remedy non-compliance depending on whether the company is causing or contributing to a negative impact, or whether it is involved only because the impact is directly connected with the operation, the products, or services through a business connection. The measures that are

appropriate will also vary according to the extent to which the company has sufficient influence to manage the negative impact.

When a company causes or may cause non-compliance with the requirements, the company should immediately take necessary measures to stop or prevent this, and participating in compensating the individuals affected negatively by the non-compliance.

When a company contributes to or may contribute to non-compliance with the requirements, it should take necessary measures to stop or prevent this, and use its influence to limit any additional impact as much as possible. A company is deemed to have influence if it can bring about a change in the operation that causes the damage.

If a company has not itself contributed to non-compliance with the requirements, but the non-compliance is directly connected with the operation, the products, or services through a business connection with another operation, the situation is more complex. Factors that may apply when assessing appropriate measures in such situations include the company's influence over the operation in question, how important the connection is for the company, the severity of the violation, and whether a cessation of the connection with the operation in itself would have a negative impact on human rights.

The more complex the situation and its impact on human rights, the greater the reason for the company asking independent experts for advice on deciding how to tackle the matter.

If the company, through its influence, can prevent or limit the negative impact, the company must use its influence to do so. If the company has no influence, there can be ways for it to increase its influence. The influence can be increased by, for example, offering to help build up knowledge or other incentives to the operation in question, or by collaborating with other actors.

When companies detect non-compliance in the supplier chain, their first action should be to try to remedy the non-compliance in collaboration with suppliers and subcontractors. Terminating agreements with suppliers, or demanding that suppliers terminate agreements with subcontractors, is seldom favourable to those affected by the non-compliance, because the influence decreases if there is no contractual relation. However, in certain cases, breaking a contract may be necessary, for example when suppliers or subcontractors do not take action in accordance with the action plan and the agreed time frames.

## APPENDIX 1 - Definitions

<b>Contribute to</b>	A company can <i>contribute to</i> negative impact on society, people, and the environment through its business operation or indirectly as a result of its business connections. In these cases, the company should use its influence over suppliers to, as far as possible, limit any remaining impact.
<b>Directly connected to</b>	<i>Connected to</i> is defined as the relationship between the negative impact and the company's products, services, or business operation through another actor's operation (i.e. business relation). <i>Directly connected to</i> is therefore not defined by direct contractual relationships, but refers to all business connections in the supplier chain for a labelled product.
<b>Credible sources</b>	Reports and analyses retrieved from established organisations and expert bodies. Examples: UN bodies and organisations such as the ICC (International Chamber of Commerce), Amnesty International, International Trade Union Confederation, Freedom House, and Transparency International.
<b>Influence</b>	Companies are referred to as having influence when they can bring about change in the operation that has caused a negative impact on people, the environment, and society.
<b>Component</b>	The different parts of the labelled furniture that are the smallest unit that must be considered in review and risk analysis. More information in Appendix 2.
<b>Supply chain</b>	A company's own operation and its supplier chain.
<b>Supplier chain</b>	A company's suppliers and their subcontractors throughout the chain.
<b>Cause</b>	A company <i>causes</i> a negative impact on people, environment, and society if the company's activities alone are sufficient to produce the negative effect. In these cases, the company has great influence and capability to bring about change, and should take necessary measures to stop or prevent this negative impact, and participate in compensating the individuals who have been affected negatively by the effect.
<b>Risk analysis</b>	An analysis of the negative impact on people, environment, and society (on the basis of stated requirements) that the company can cause, contribute to, or be directly connected to.
<b>Raw material</b>	In risk analyses and reviews of <i>raw materials</i> the company should at least focus on the main raw materials for the labelled furniture and their components, such as wood, textile, and steel.
<b>Rights holders</b>	The supply chain contains various types of <i>rights holders</i> who can be affected by a negative impact through a company's operation, and the company should consider these rights holders. Examples of rights holders are workers, landowners, indigenous populations, and outsourced/informal workers.
<b>Vulnerable groups</b>	<i>Vulnerable groups</i> in the supply chain are at a higher risk being affected by a negative impact as a result of the company's operation, and the company should consider these groups. Examples of vulnerable groups are women, children, people with disabilities, migrant workers and their families, and minority groups.



## APPENDIX 2 - Component list

The following components must be included in the risk analysis that must be performed according to the stated requirements. There is no claim for list to be complete, and in certain cases more components can be the subject of risk analysis.

### Legs

Table tops and worktops

Electrical components (large parts, e.g. motors for adjustable-height tables)

Veneer

Spring package for spring mattresses

Foil (Japanese [washi] paper, melamine board, impregnated paper, etc.)

Form-pressed components and parts

Glass

Insulation panels for sound absorbers

Varnish, oil, stain, and paint

Laminate

### Adhesive

Leather, suede, upholstery, artificial leather, etc.

Pressed paperboard, pressed textiles, needle-felt

### Filling material

Large metal components, such as armrests, underframe, stand, etc.

Large plastic parts, such as armrests, seat shells, etc.

### Textiles

Wood-based boards (PB, MDF, HDF, Plywood, EGP, etc.)

### Wood components

Underframe (such as table underframe, chair stretchers, etc.)

## APPENDIX 3 - References

### National Agency for Public Procurement

The National Agency for Public Procurement's proposed conditions at advanced level for sustainable supply chains are based on the Ten Principles of the Global Compact. The conditions are divided into four main areas, human rights, labour rights, environmental protection, and anti-corruption, which together form sustainable supply chains. The conditions comprise:

- The UN General Declaration of Human Rights;
- The UN Convention on the Rights of the Child, Article 32;
- ILO's eight fundamental conventions on forced labour, child labour, discrimination, and freedom of association and right to organise (no. 29, 87, 98, 100, 105, 111, 138 and 182);
- The labour law in force in the country in which the work is performed, including regulations on wages, working hours, leave, and work environment;
- The environmental law in force in the country in which the work is performed, and
- The UN Convention against Corruption.

Information retrieved from home page on 3 July 2020, link [here](#).

### National Secretariat for Sustainable Procurement (NKHU)

NKHU's proposed conditions about sustainable supply chains are based on the conditions issued by the National Agency for Public Procurement, with a supplement linked to social insurance protection and a practical version in the form of a Code of Conduct for Suppliers:

The basic conditions comprise:

- The UN General Declaration of Human Rights;
- ILO's eight fundamental conventions on forced labour, child labour, discrimination, and freedom of association and right to organise (no. 29, 87, 98, 100, 105, 111, 138 and 182);
- The UN Convention on the Rights of the Child, Article 32;
- The labour law in force in the country in which the work is performed, including regulations on wages, working hours, leave, and the social welfare protection regulations;
- The labour protection and work environment law in force in the country in which the work is performed;
- The environmental law in force in the country in which the work is performed; and
- The UN Convention against Corruption.

Code of Conduct for Suppliers, link [here](#).

Guidance document: "SUSTAINABLE SUPPLY CHAINS - Guidelines contractual terms", link [here](#).

Information retrieved from the home page on 3 July 2020, link [here](#).

### UN Guiding Principles on Business and Human Rights

Applicable version in English, link [here](#).

Swedish translation, link [here](#).

### THE UN GLOBAL COMPACT

The Ten Principles of the UN Global Compact:

#### *Human rights*

PRINCIPLE 1: Support and respect international human rights within the sphere of corporate influence

PRINCIPLE 2: Ensure that the business is not complicit in human rights abuses.

*Labour*

PRINCIPLE 3: Uphold the freedom of association and recognise the right to collective bargaining

PRINCIPLE 4: Eliminate all forms of forced labour

PRINCIPLE 5: Abolish child labour

PRINCIPLE 6: Eliminate discrimination with regard to recruitment and work tasks

*Environment*

PRINCIPLE 7: Support the precautionary approach regarding environmental risks

PRINCIPLE 8: Undertake initiatives to promote greater environmental awareness

PRINCIPLE 9: Encourage the development of environmentally friendly technologies

*Anti-corruption*

PRINCIPLE 10: Work against corruption in all its forms, including extortion and bribery

*Information retrieved from the home page on 3 July 2020, link [here](#).*

**OECD Due Diligence Guidance for Responsible Business Conduct**

OECD:s Due Diligence Guidance for Responsible Business Conduct, link [here](#).