

AMERICAN HOME FURNISHINGS ALLIANCE
SUSTAINABLE BY DESIGN



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SUSTAINABLE BY DESIGN

MARKET-BASED SOLUTIONS BUILT AROUND THE CORE VALUES OF SUSTAINABLE BUSINESS PRACTICES

1. INTRODUCTION

In today's global market place, the public awareness and involvement in environmental issues has caused companies to reevaluate their commitment to environmental stewardship. There are numerous goods and products declared to be "Green"; however, the reality is that the term "Green" does not necessarily mean that the company employed sustainable business practices in its production. The term "Green Washing" is used for such products.

Consumer awareness has moved through the years from "tell me" to "show me" to now "prove it to me". It is no longer satisfactory to just tell consumers that a product is "Green"; it must be proven. Thus, the industry is faced with proving to consumers that its implementation of Sustainable Business Practices results in a "Green" product.

To assist the members, the AHFA has developed the Sustainable by Design (SBD) Program to demonstrate the industry commitment to Sustainable Business Practices and the environment. The Sustainable by Design Program is an extension of AHFA's EFEC Program and looks at market based solutions built around the core values of Sustainable Business Practices. The Sustainable by Design Program addresses the proper balance between the environment, economic performance, and people. It embodies the industry's common sense approach to operating their businesses.

The Sustainable by Design Program was designed to assist all AHFA members whether they produce all furniture domestically, whether they exclusively import and distribute furniture; or whether they are a blended operation of the two. The five credit areas for attaining the Sustainable by Design Label are equally applicable to the three operating scenarios, only the specific demonstrations will vary.

It is well known that the environmental impacts related to a company's business extend well beyond its direct operations and throughout the supply chain. In fact, for some companies, the total environmental impacts of all its suppliers may exceed those of the company itself. Although the company may not have direct control over its suppliers, it can influence the environmental impacts from those suppliers through contract vehicles and collaboration an efforts of mutual benefit. That is, the buyer company is involved in "Greening the Supply Chain" by requiring a certain level of environmental responsibility from its suppliers. The end result is that the overall environmental impacts can be significantly reduced through this collaborative effort.

Thus, the Sustainable by Design Program is also available to AHFA Supplier Members. The five credit areas for attaining the Sustainable by Design Label are the same as for the Manufacturer Members.

The Sustainable by Design Program will assist members with reducing their environmental footprint at the manufacturing level and throughout the supply chain, as well as communicating this commitment to the environment, and associated successes, to the consumer at the retail level.



The following sections provide information on the Sustainable by Design Program including;

- Sustainable by Design Mission Statement;
- Applicability;
- Credit Areas for Attaining the Sustainable by Design Label;
- Reporting Requirements;
- Certification Procedures;
- Definitions; and,
- Resources.

1.1 Why Implement Sustainable Business Practices?

Numerous studies have been performed that demonstrate the link between Environmental Health and Safety (EHS) performance and shareholder value. In general, the experts argue that superior EHS performance is a proxy indicator for superior management capability. That is, companies with superior EHS performance effectively communicate an organization's ability to manage risk, reduce volatility, enhance transparency and build stakeholder trust, ultimately driving financial performance (GEMI 2004). For example Innovest, which analyzes companies with respect to EHS performance, found that in the pharmaceutical industry, companies with above average EHS ratings outperformed companies with below average ratings by approximately 17 percentage points (1700 basis points).

The increased performance is a function of both the tangible outcomes of product innovation, reduced waste, efficient use of resources, and the intangible assets such as employee satisfaction, environmental protection, and community quality of life. All of these lead to increased shareholder value.

Finally, the importance of intangibles such as a company's reputation and brand image has been documented in an article in the Harvard Business Review, "Reputation and Its Risks", (Eccles, Newquist, Schatz February 2002). That article summarizes that "Firms with strong positive reputations attract better people." They are perceived as providing more value, which often allows them to charge a premium. Their customers are more loyal and buy broader ranges of products and services. Because the market believes that such companies will deliver sustained earnings and future growth, they have higher price-earnings multiples and market values and lower costs of capital."

1.2 Sustainable by Design Mission Statement

"AHFA members commit to integrating socio-economic policies and environmental practices into our manufacturing operations that are consistent with the responsibility we have to properly manage our natural resources for future generations. These policies and practices will promote a culture committed to the conservation and stewardship of resources and to the creation of a sustainable environment."

1.3 Applicability

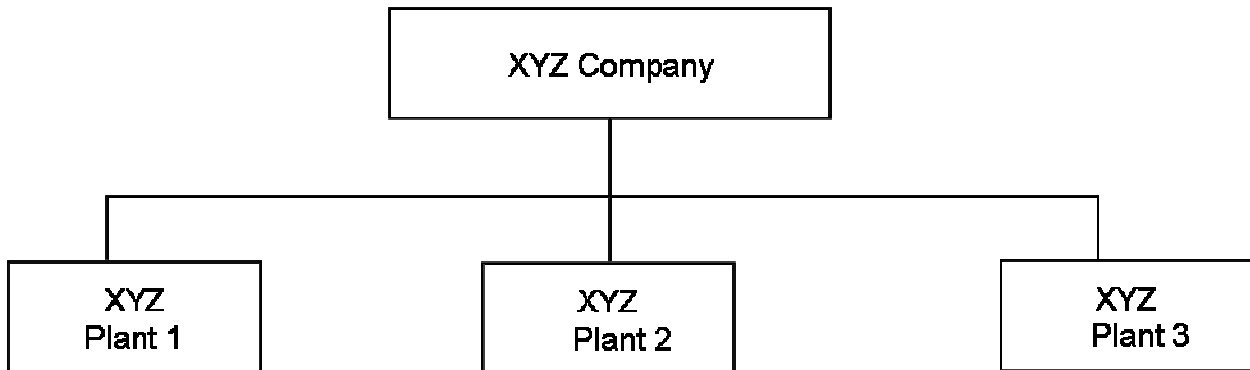
The Sustainable by Design Certification will be awarded at the company level to AHFA members and supplier members that satisfy the five Credit Areas shown on Figure 1 (see Section 3). Because EFEC Certification is a key requirement, and EFEC Certification is provided at the plant level only, it is required that all facilities owned and operated by the company be EFEC Certified in order to receive the Sustainable by Design Certification.

It is recognized that there is a wide variation in AHFA member’s operating structures ranging from companies with a single manufacturing plant to holding companies with a number of brands each operating as separate legal entities. There are also members with distinct operating divisions under the same parent company. Thus, the question is, at what level can SBD Certification be issued?

There is no one answer that will satisfy the myriad operating structures within the AHFA members and thus it is suggested that companies wishing to certify separate business units or divisions or other legal entities contact AHFA directly. However, the following will act as guidance for the majority of scenarios.

Scenario 1. Single Plant or Multiple Plants under same Legal Entity.

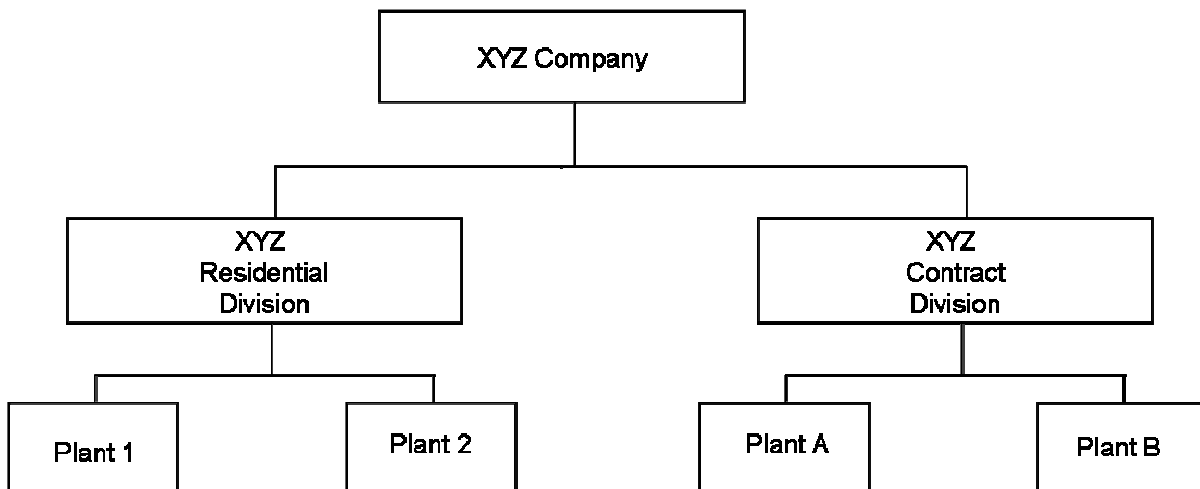
This scenario assumes that there is common ownership and the same brand name for all plants as shown below:



In this case, all plants must be individually EFEC registered and all plants must satisfy the requirements of the SBD Program for the XYZ Company to be certified. The individual plants cannot receive SBD certification... it is awarded at the company level.

Scenario 2. Parent Company with Distinct Operating Divisions.

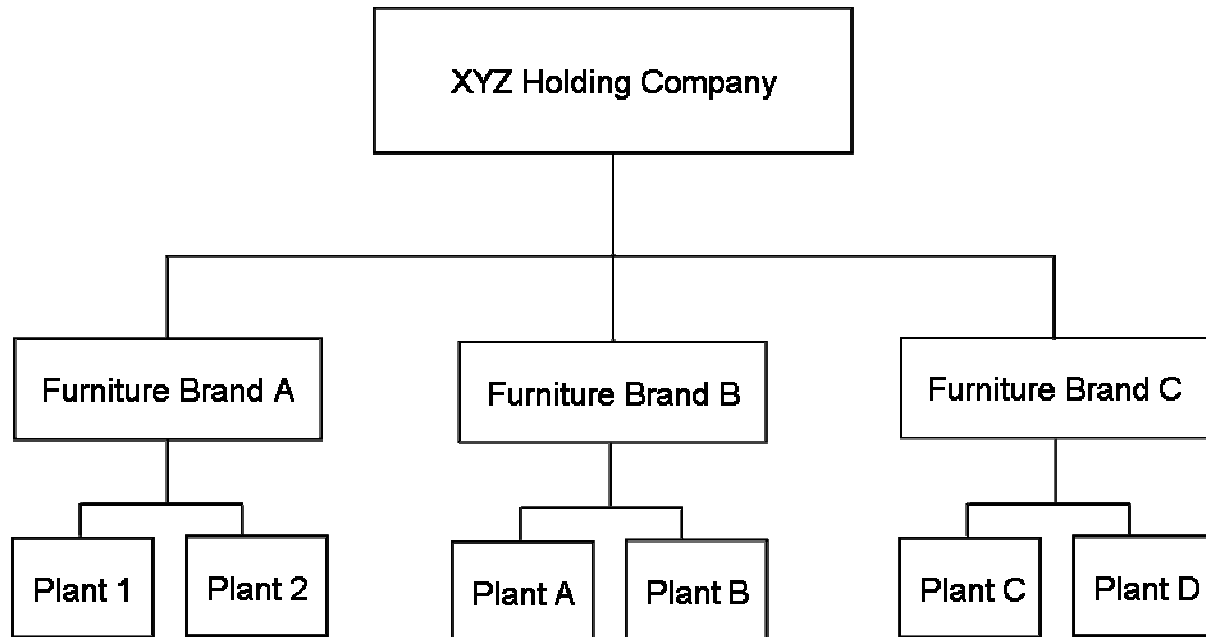
This scenario assumes that there is common ownership/name; however, there are distinct operating divisions (e.g. residential and contract) as shown below:



In this case, the two operating divisions, residential and contract share the name of the parent company but are totally separate from an operating control standpoint. Thus, each division can be awarded the SBD Certification if all plants under their control are EFEC Certified and also satisfy the requirements of the SBD Program. The XYZ Company can receive SBD Certification only if both divisions satisfy all requirements.

Scenario 3. Parent/Holding Company with Separate Operating Entities/Separate Brand Names.

This scenario reflects a company that may produce/distribute furniture under different brand names by separate operating entities as shown below:



In this case, each Furniture Brand can be awarded SBD Certification if all plants under its brand are EFEC Certified and all plants satisfy the requirements of the SBD Program. The XYZ Holding Company can receive SBD Certification only if all Furniture Brands satisfy all requirements.

MARKET-BASED SOLUTIONS BUILT AROUND THE CORE VALUES OF SUSTAINABLE BUSINESS PRACTICES

2. OVERVIEW OF SUSTAINABILITY

Sustainability is not a new initiative and actually has been a formal initiative for over 35 years. The United Nations conference on Human Environment was held in Stockholm in 1972 and was followed by the United Nations establishing the World Commission on Environment and Development in 1983. This Commission was chaired by Gro Brundtland and is referred to as the Brundtland Commission. Following the Brundtland Commission came the Earth Summit in Rio in 1992 in which a Global Action Plan was proposed called Agenda 21. The United Nations then established a Commission on Sustainable Development to review progress toward Agenda 21 and there has been substantial progress since those initial efforts.

One of the key observations from the early commissions was that “When the 20th Century began neither human members or technology had the power to radically alter planetary systems”. The commissions further observed that with the frequent changes in technology, the human members can now radically impact those systems and thus a focused approach is necessary to preserve those systems for future generations.

2.1 What is Sustainability?

There are many definitions of Sustainability; however, the one most commonly used is from the 1987 World Commission on the Environment and Development Report, (Brundtland Report) “Our Common Future” and defines Sustainability as “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” There are other definitions, but they all share the common theme of;

- Ecological integrity;
- Economic security;
- Community vitality; and,
- Commitment to the welfare of future generations.

One of the key points of Sustainability is that it is a **balance** of economic, environmental, and social performance and is commonly called the Triple Bottom Line (See Figure 2-1). This phrase was coined by John Elkington in 1994.

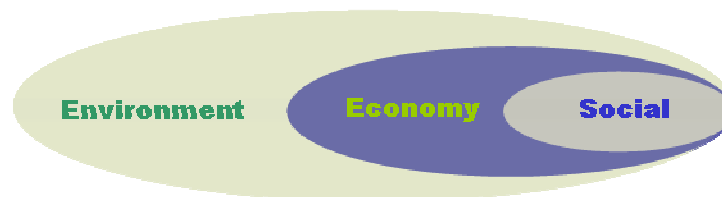


Figure 2-1. Triple Bottom Line

The term, Triple Bottom Line is the new basis in corporate reporting and includes environmental and social performance in addition to economic performance. In this case, the economic performance pertains to the economic impact that an organization has on its environment...it is more than just the profit it realizes.

The environmental aspect is implementation of Sustainable Business Practices that “minimize the environmental footprint” and help preserve the environment for future generations. In general, this looks at how a company minimizes its impacts to the land, air, and water. It also includes energy consumption and conducting life cycle assessments (LCA) of products to determine the true cradle-to-grave or cradle-to-cradle environmental impacts.

The social performance aspect deals with the company’s programs for labor and human rights, the impact companies have on the communities in which they operate, and the impact of their products on consumers. This aspect incorporates the term social capital and also is intimately involved with brand reputation and image. That is, consumers/stakeholders wish to deal with companies that they admire and respect.

2.2 What is a Sustainability Program?

A Sustainability Program is the next phase of integrated product development in which businesses seek approaches that benefit the local environment and quality of life. It is a multifaceted program that integrates the typical existing programs such as recycling, waste minimization, and energy conservation with an environmental management system, social performance, and global climate change. In addition, a Sustainability Program involves supply chain management with the purpose of “Greening” the supply chain. Elements of a typical Sustainability Program are depicted on Figure 2-2 below.

It is important to note that many AHFA member companies already have many of these program elements in place and operating successfully. The key is to document these processes, goals, and results and to disseminate that information to the stakeholders. That is, to “tell the good story”.

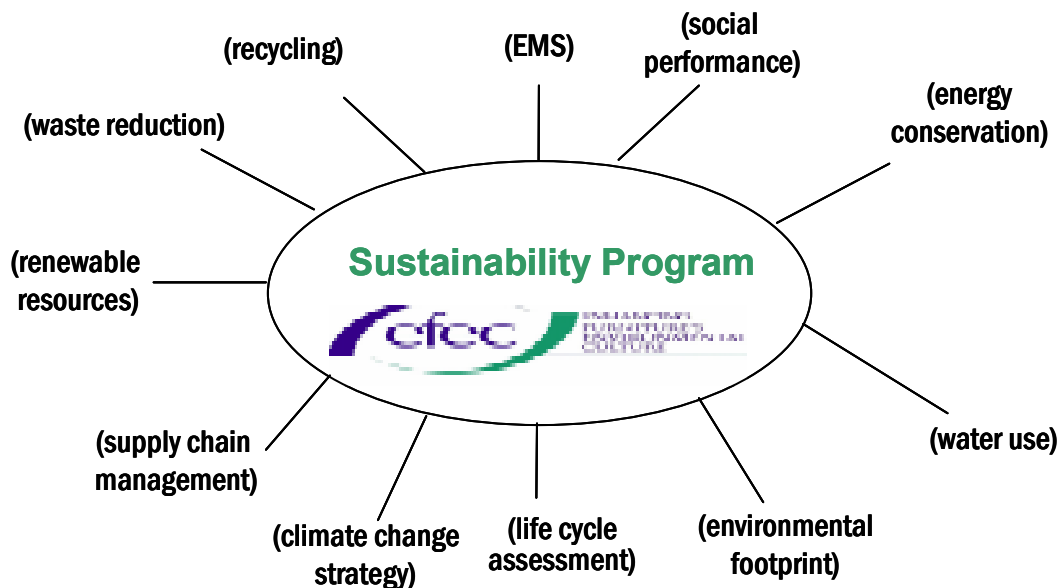


Figure 2-2. Sustainability Program

MARKET-BASED SOLUTIONS BUILT AROUND THE CORE VALUES OF SUSTAINABLE BUSINESS PRACTICES

3. CREDIT AREA REQUIREMENTS

AHFA member applicants must provide sufficient information to demonstrate their commitment to implementing an EMS; minimizing their environmental footprint; supply chain management; global climate change, and social performance (See Figure 3-1 and Table 3-1). The requirements for each of these credit areas are described below.

It is important to note that the SBD Program is a long-term commitment to the environment and to economic and social performance. It is a program based on continuous improvement and thus the goal is a broad level of involvement from the members with a long-term focus. The SBD Program does not require specific goals set by AHFA (with the exception of the use of Certified Wood) but rather the implementation of processes to achieve company specific goals.

All of the following elements must be implemented and fully documented for a company to receive the AHFA Sustainable by Design Label.

3.1 What is Required for SBD Certification?

For each of the five credit areas – EMS, minimize environmental footprint, supply chain management, social performance, and global climate change – the applicant must provide sufficient information to document their commitment and progress. With the exception of the EMS where EFEC Certification will satisfy the requirement, the reporting should contain the following:

- Management approach to sustainability.
 - The applicant should provide the process that Management has implemented for the credit areas. That is, it should include written procedures, management structure, incorporation into performance goals/incentives or other methods with a company policy signed by an officer of the company.
- Goals and progress toward goals.
 - Goals must be set and must be measurable so that progress toward goals can be determined. For example, if the goal is to reduce GHG by 10 percent, the applicant must have information to support the baseline GHG inventory and sufficient back up information to support the 10 percent reduction. Another example of a goal is to send written notification of the company's Sustainability Program to Suppliers and requesting information on the Suppliers' Sustainability Program.
- Company policy signed by an Officer of Company.
 - The Company policy must demonstrate the Company's commitment to the Sustainability Program with a company policy signed by an officer of the company.
- Process for employee training and awareness.
 - The applicant should describe and present examples of training logs and communications such as newsletter, posters, bulletins, e-mails, etc.

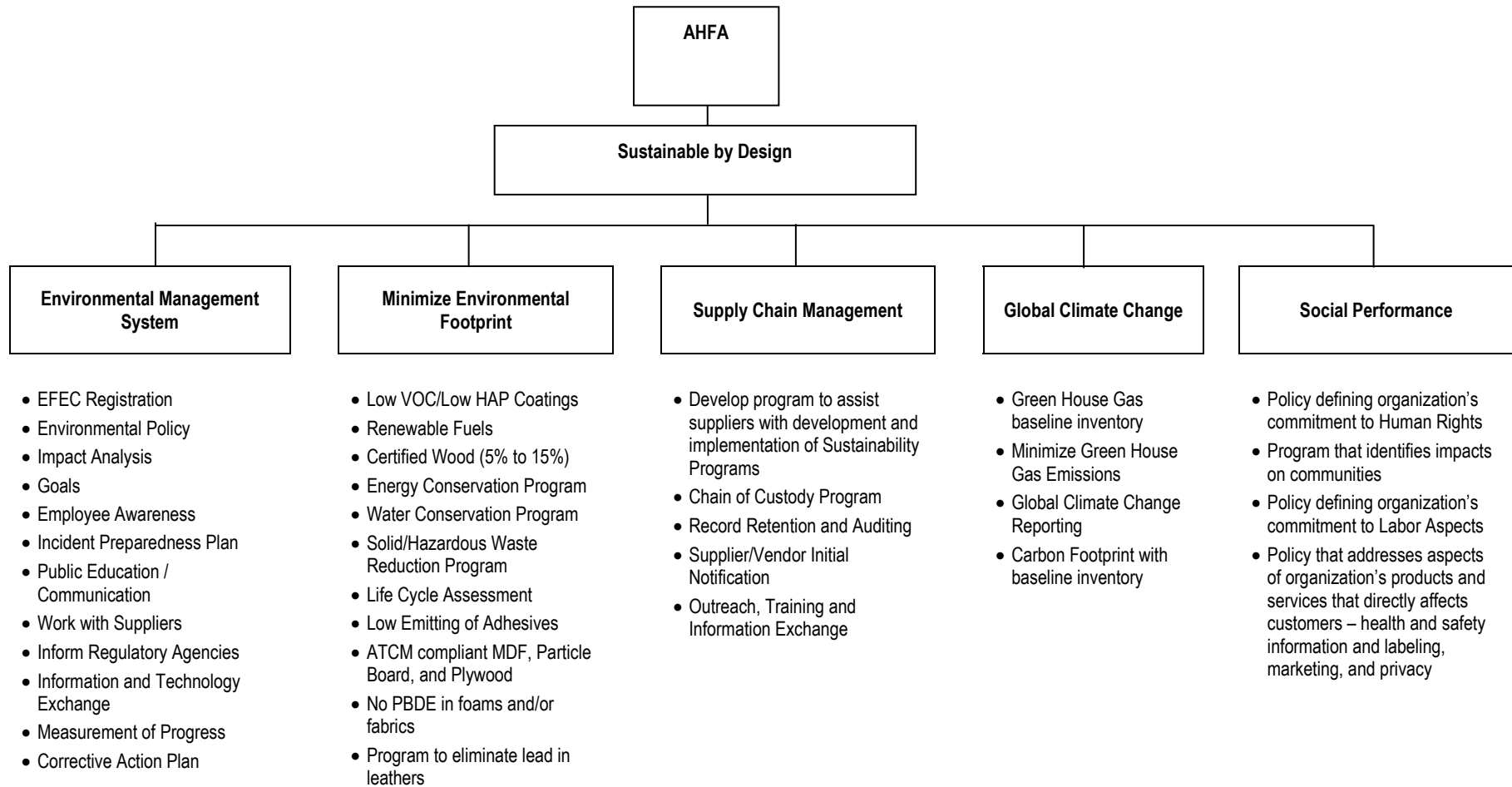


Figure 3-1. Sustainable by Design Program

Table 3-1. Sustainable by Design Punch List

1) EFEC Certified	<input type="checkbox"/>
2) Minimize Environmental Footprint	
• Low VOC/Low HAP Coatings	<input type="checkbox"/>
• Renewable Fuels	<input type="checkbox"/>
• Use Certified Wood (5% to 15%)	<input type="checkbox"/>
• Energy Conservation	<input type="checkbox"/>
• Water Conservation Program	<input type="checkbox"/>
• Recycling Program	<input type="checkbox"/>
• Solid/Hazardous Waste Minimization Program	<input type="checkbox"/>
• Life Cycle Analysis Program	<input type="checkbox"/>
• Low Emitting UF Adhesives	<input type="checkbox"/>
• ATCM compliant MDF, Particle Board, and Plywood	<input type="checkbox"/>
• No PBDE in Foams and/or Fabrics	<input type="checkbox"/>
• Program to Eliminate Lead in Leathers	<input type="checkbox"/>
3) Supply Chain Management	
• Program to assist suppliers with development/implementation of Sustainability Programs	<input type="checkbox"/>
• Chain of Custody Program (if required, e.g., ATCM)	<input type="checkbox"/>
4) Global Climate Change	
• Program to minimize Green House Gases, including GHG baseline inventory	<input type="checkbox"/>
• Global Change Reporting	<input type="checkbox"/>
• Carbon Footprint with baseline inventory	<input type="checkbox"/>
5) Social Performance	
• Policy defining organization's commitment to Human Rights	<input type="checkbox"/>
• Program that identifies impacts on communities	<input type="checkbox"/>
• Policy defining organization's commitment to Labor Aspects	<input type="checkbox"/>
• Program that addresses aspects of organization's products and services that directly affect customers – health and safety, information and labeling, marketing, and privacy	<input type="checkbox"/>

- 1) A company must be EFEC certified to receive the Sustainable by Design Label.
- 2) They must be actively involved in evaluating the feasibility of an LCA for its product lines.
- 3) They must be developing an active chain of custody protocol to track compliant component parts.
- 4) They must demonstrate how they are monitoring their supply chains for SBP.
- 5) They must have attainable numerical goals...you don't do what you don't measure.
- 6) They must prepare an annual status report to AHFA that defines their goals for the coming year and indicates achievement the previous year.
- 7) They must be open to a random compliance audit by AHFA to validate their implementation of SBP.
- 8) They must develop a baseline inventory for GHG and a carbon footprint once an LCA template is developed by AHFA.
- 9) They must demonstrate the use of 5% to 15% wood products that are FSC, SFI certified or equivalent.

- Procedures for monitoring, auditing and corrective actions.
 - The applicant should describe the monitoring and auditing procedures; provide records of audits; and results of all corrective actions taken.
- Description of organizational responsibilities for Sustainability Program.
 - The applicant should provide the organization structure with individual responsibilities for the Sustainability Program including the most senior position.

This information must be submitted to AHFA in electronic format with a certification signed by an officer of the company stating that the information is complete and accurate to the best of their knowledge. This information must also be maintained at the entity receiving certification for inspection by an AHFA auditor.

3.2 Environmental Management System (EMS)

The AHFA developed its own EMS for its members which are named Enhancing Furniture's Environmental Culture (EFEC). The EFEC Program was developed to help its members create and maintain a strong, proactive environmental program, making its members industry leaders. The EFEC program contains eleven (11) elements, all of which must be fully implemented for a facility to be certified. The AHFA SBD Program requires that each AHFA member company's facility be EFEC certified.

Once a facility has fully implemented EFEC and submitted documentation to the AHFA, the facility will be audited by a third party and the audit will be reviewed by the EFEC Board of Examiners (BOE). The BOE will either issue the EFEC Certification, request additional information, or deny the application.

It is important to note that EFEC Certification is on a facility basis, not a company basis. Thus all facilities owned and operated by a company must be EFEC Certified to satisfy the EMS Credit Area of the SBD Program. EFEC Certification is not part of the "mini" punch list for suppliers; however, it is required for suppliers that wish to receive SBD Certification.

Details of the EFEC Program, including the EFEC Guidance Document, can be found on the AHFA Member Website.

3.2.1 What is Required for SBD Certification?

The applicant must submit proof of EFEC Certification for each facility owned and operated by the entity requesting SBD Certification.

3.3 Minimize Environmental Footprint

The environmental dimension of Sustainability concerns an organization's impact on land, air, and water. The metrics of interest for this credit area include those related to inputs to plant operations (e.g. materials, energy, water) and those related to the outputs of operations (e.g. air emissions, waste generation and disposal, water discharge). A Life Cycle Assessment (LCA) which deals with the environmental impacts of a product (cradle-to-grave), (cradle-to-cradle), or (gate-to-grave), that is, (ownership-to-grave) is also part of this credit area.

3.3.1 What Information is Required for SBD Certification?

The applicant should provide its Management Approach and documentation supporting the following environmental aspects: Note that not all of the ten (10) elements apply to every facility. In that case, they should be noted as “Not Applicable”.

- Use of low Volatile Organic Compounds (VOC)/low Hazardous Air Pollutants (HAP) coatings in manufacturing operations;
 - The applicant should describe their program for compliance with the Wood Finishing Maximum Adhesive Control Technology (MACT), reductions achieved since implementation of the Wood Finishing MACT, and any other reductions achieved through reformulation. (See 40 CFR 63 Subpart JJ for details on the Wood Finishing MACT). For facilities not subject to the Wood Furniture MACT, the applicant should describe any programs to work with Coating Suppliers to reduce VOCs and HAPs.
- Use of renewable fuels;
 - The applicant should document use of renewable fuels such as wood and associated reductions in other fuels.
- Use of certified wood (5 percent to 15 percent of total wood throughput);
 - The certified wood can be based on any recognized lumber certification program including FSC, SFI, Appalachian Hardwoods Verification System or similar, once approved by AHFA. The percentage is based on total wood throughput at the facility.
- Have an Energy Conservation Program;
 - The applicant should describe all energy conservation measures taken including relamping, truck idling programs, use of soft starters, use of more efficient combustion equipment and reductions achieved.
- Have a Water Conservation Program;
 - The applicant should describe all measures to reduce water consumption. This includes water conservation studies performed and initiatives implemented as a result.
- Have a Solid/Hazardous Waste Reduction Program;
 - The applicant should describe the Solid/Hazardous Waste Reduction Program including supplier initiatives, reformulation programs, recycling programs etc.
- Identify an LCA for major product lines (e.g., case goods and upholstery);
 - The applicant should provide a plan to evaluate the feasibility of the available LCA’s for its major product lines. The plan should include a goal to perform an LCA for major product lines after AHFA’s development of an LCA template for the AHFA members.
- Use of low emitting adhesives in Manufacturing Operations;
 - The applicant should confirm the use of low emitting adhesives and document any reductions achieved.
- Use of only California Air Resources Board (CARB) Air Toxics Control Measures (ATCM) compliant MDF, Particle Board, and Plywood;
 - The applicant should provide documentation that it is complying or has implemented a process to comply with the CARB ATCM for off gassing of formaldehyde from composite wood products.
- No Polybrominated diphenylethers (PBDE) in foams and/or fabrics;
 - The applicant should provide documentation supporting a statement that no PBDE’s are used in foams and/or fabrics.
- Program to eliminate lead in leathers.

3.4 Supply Chain Management

It is well known that the environmental impacts related to a company’s business extend well beyond its direct operations and throughout the supply chain. Although the company may not have direct control over its suppliers, it can influence the environmental impacts from those suppliers through contract vehicles and collaboration on efforts of mutual benefit. That is, the buyer company is involved in “Greening the Supply Chain” by requiring a certain level of responsibility from its suppliers.

3.4.1 What is Required for SBD Certification?

For the SBD Program, the member applicant should develop a Management Approach and documentation supporting the following elements of its Supply Chain Management.

- Policy and program to assist suppliers with development and implementation of Sustainability Programs;
- Chain of Custody Program, if required (e.g., ATCM);
- Process for record retention and auditing;
- Record of Supplier/Vendor initial notification; and,
- Program for outreach, training, and information exchange.

The applicant must submit the Supplier’s Sustainable by Design Punch List (Table 3-2) to each supplier requesting that the supplier respond with information on their current status with the required elements and plans for future compliance. Copies of the notices to suppliers and responses must be submitted to AHFA and maintained by the applicant.

Table 3-2. Suppliers Sustainable by Design Punch List

1) Minimize Environmental Footprint	
Low VOC/Low HAP Coatings	<input type="checkbox"/>
Use Certified Wood (5% to 15%)	<input type="checkbox"/>
Low Emitting Adhesives	<input type="checkbox"/>
ATCM compliant MDF, Particle Board, and Plywood	<input type="checkbox"/>
No PBDE in foams, and/or fabrics.	<input type="checkbox"/>
Program to eliminate lead in leathers.	<input type="checkbox"/>
2) Social Performance	
Policy defining organization’s commitment to Human Rights	<input type="checkbox"/>
Program that identifies impacts on communities	<input type="checkbox"/>
Policy defining organization’s commitment to Labor Aspects	<input type="checkbox"/>
Program that addresses aspects of organization’s products and services that directly affect customers – health and safety, information and labeling, marketing, and privacy	<input type="checkbox"/>

1)Suppliers must demonstrate the use of 5% to 15% wood products that are FSC, SFI certified or equivalent.

3.5 Global Climate Change

The applicant must provide information on their initiatives to reduce Green House Gas (GHG) emissions and the reduction's achieved.

3.5.1 What is Required for SBD Certification?

The applicant should provide its Management Approach and documentation supporting the following:

- Green House Gas baseline inventory. This should include total direct, indirect, and other relevant greenhouse gas emissions by weight. The direct emissions should be reported as;
 - Stationary Combustion;
 - Mobile Source Combustion;
 - Physical or Chemical Processes; and
 - Fugitive Sources.

Note that direct CO₂ emissions from the combustion of biomass are not to be included under “Stationary Combustion” and should be reported separately.

The indirect emissions to be reported are those from the consumption of purchased electricity, heating, cooling, or steam.

- Program to minimize Green House Gas emissions and reductions achieved. The applicant can select the baseline year for reporting, usually a year where complete data are available.
- Global Climate Change Reporting. The applicant should provide a copy of any Global Climate Change Reporting and the registry used, if any (e.g., The Climate Registry, California’s Climate Action Change Registry, etc.).
- Carbon Footprint with Baseline Inventory. The applicant should provide a plan to determine the carbon footprint and develop a baseline inventory. Because the carbon footprint is closely tied to Life Cycle Analysis, it is suggested that the applicant link the schedules for development of both items.

3.6 Social Performance

The social dimension of Sustainability concerns the impacts an organization has on the social systems within which it operates. As shown on Figure 3-1 and Table 3-1, there are four key areas where the applicant must demonstrate their commitment as discussed below.

3.6.1 What is Required for SBD Certification?

The applicant should provide its Management Approach and documentation supporting the following elements of its Social Performance:

- Policy defining the organization’s commitment to Human Rights as defined by the generally recognized Conventions and Declarations. As per the Sustainability Reporting Guidelines, these include:
 - United Nations Universal Declaration of Human Rights and its Protocols;
 - United Nations Convention: International Covenant on Civil and Political Rights;
 - United Nations Convention: International Covenant on Economic, Social, and Cultural Rights;
 - ILO Declaration on Fundamental Principles and Rights on Work of 1998; and,

- Vienna Declaration and Programme of Action.
- Program that identifies the impacts on communities in which they operate and describes how the risks that may arise are managed. This includes having a program that assesses the impacts of operations on communities, when entering the community, while operating in the community, and when exiting the community. In addition, this program should address the company’s approach to addressing potential corruption, participation in public development, procedures to avoid anti-competitive behavior, and compliance strategies.
- Policy defining organization’s commitment to Labor Aspects using internationally recognized universal standards. These standards include:
 - United Nations Universal Declaration of Human Rights and its Protocols;
 - United Nations Convention: International Covenant on Civil and Political Rights;
 - United Nations Convention: International Covenant on Economic, Social, and Cultural Rights;
 - ILO Declaration on Fundamental Principles and Rights at Work of 1998; and,
 - Vienna Declaration and Programme of Action.
- Program that addresses the aspects of an organization’s products and services that directly affect customer’s health and safety, information and labeling, marketing, and privacy. This includes a program to develop an LCA for major product lines. Note that this is also a requirement under the Credit Area “Minimize Environmental Footprint.” This program also must address adherence to laws, standards and voluntary codes for advertising, promotion, sponsorship, and the process for compliance as well as results of any fines for non-compliance.

MARKET-BASED SOLUTIONS BUILT AROUND THE CORE VALUES OF SUSTAINABLE BUSINESS PRACTICES

4. REPORTING REQUIREMENTS

4.1 Overview of Reporting

Communications is essential to any Sustainability Program. The ability to clearly and transparently communicate the goals and performance of a company about environmental, social, and economic performance to the various stakeholders is key to a company's shareholder value. The reporting requirements of the SBD Program define the information that must be submitted but allow members the flexibility in how it is reported. However, because clear and transparent communications are essential, a standard format is suggested that is globally recognized. Thus, it is suggested the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (SRG) be used as the basis for reporting. The GRI framework of consistent language, metrics, and format is internationally recognized and can be used by AHFA members of all sizes.

Section 3.0 described the specific information that must be submitted to AHFA for SBD Certification. This Section provides suggested information and format for a company's external Sustainability Report.

4.2 Suggested Sustainability Reporting Format

The suggested format for a Sustainability Report is from GRI's Sustainability Reporting Guidelines. Every company will wish to present their information in their own style; however, the suggested format identifies the basic information that should be present in a Sustainability Report.

In general, the report should contain the following three types of disclosures, all of which comprise of a focused Sustainability Report,

- Strategy and Profile;
- Management Approach; and,
- Performance Indicators.

The strategy should provide a high-level, strategic view of Sustainability and should include a statement from senior management and a discussion of the organization's key impacts on Sustainability. The profile should include the name, brands/services, operating structure, locations, ownership, employees, etc.

The management approach is the organization's process for implementing Sustainability and measuring performance.

The performance indicators are typical for most organizations and include economic, environmental, and social aspects. They are also typically subcategorized into elements, such as waste management, water use, green house gases, etc.

MARKET-BASED SOLUTIONS BUILT AROUND THE CORE VALUES OF SUSTAINABLE BUSINESS PRACTICES

5. CERTIFICATION

5.1 Application for Certification

The applicant must first submit a notice to the AHFA indicating their intent to be certified under the SBD Program. The AHFA will notify the applicant of receipt and log the applicant. The applicant must then compile all of the supporting information that demonstrates that the applicant has complied with each of the five Credit Areas. The EFEC Certification for each plant owned and operated by the applicant will satisfy the Environmental Management System Credit Area.

The applicant must then submit the supporting information for each Credit Area to the AHFA for review. The submittal must be accompanied by a letter signed by an officer of the company indicating that the information is complete and accurate.

5.2 AHFA Review

The AHFA will institute a Board of Examiners (BOE) to oversee the SBD Program, to review the applications for Certification, and to review and approve the audits. The BOE will be comprised of the AHFA Vice President/Environmental, Health and Safety (EHS), outside Counsel, SBD Project Manager, and four (4) AHFA member representatives.

The AHFA BOE for SBD will review each application for Certification and one of the following will occur:

- Approve the Member/Supplier for Certification
- Request additional information
- Deny the request for Certification

Only after an applicant is approved for Certification, will it be allowed to use the SBD logo, hang tag, or seal on its products, and/or in advertising.

5.3 Audits

The AHFA BOE will conduct random audits of SBD Certified companies at its discretion.

The following Figure 5-1 presents the sequence of events for a company that initiates both EFEC and SBD Certification.

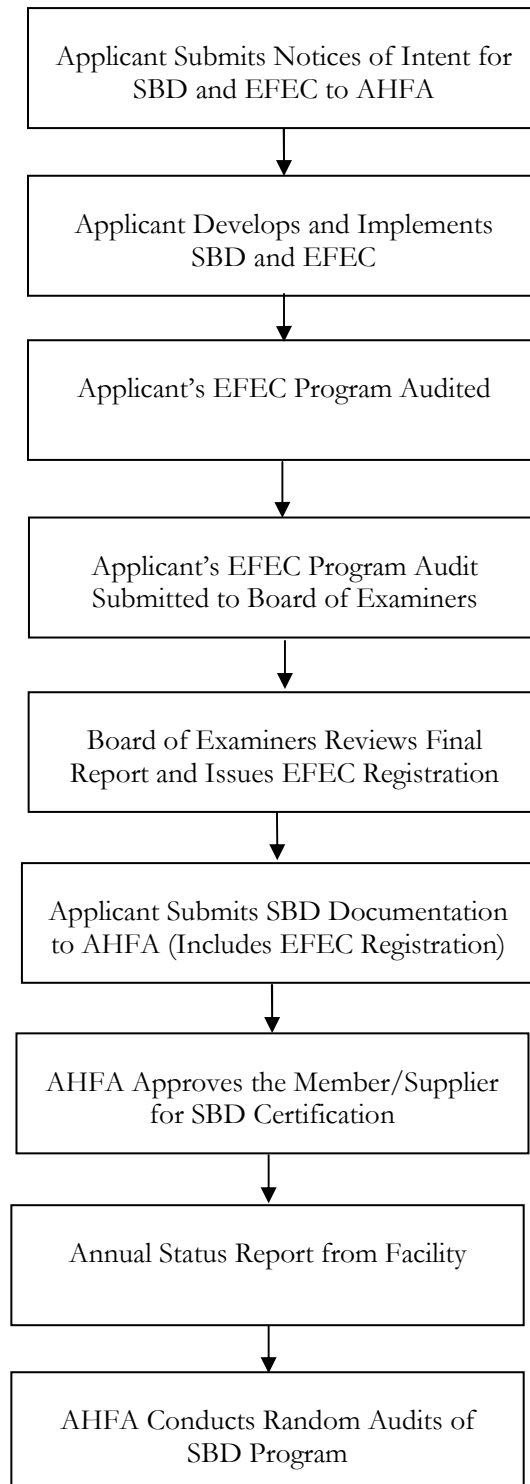


Figure 5-1. EFEC and SBD Certification Process

MARKET-BASED SOLUTIONS BUILT AROUND THE CORE VALUES OF SUSTAINABLE BUSINESS PRACTICES

6. DEFINITIONS

Sustainability – is a commitment to integrating economic, environmental and social policies/practices into our businesses that demonstrates the value our companies place on their people, the environment and shareholders. It will promote a culture dedicated to the stewardship of resources and the creation of a sustainable environment for future generations.

Green Design – is synonymous with sustainable design and is defined as a company’s process of implementing Sustainable Business Practices, such as energy conservation, use of renewable materials and low environmental impact production methods in their manufacturing operations.

Sustainable Business Practices – will meet the needs of the present without compromising the ability of future generations to meet their own needs.

Company – is defined as all operations under common ownership and control.

Supplier – is defined as any company, not owned/operated by an AHFA member, that provides raw materials, components, as finished goods to an AHFA member.

Sustainability Reporting – is the practice of measuring, disclosing, and being accountable for organizational performance while working towards the goal of sustainable development. This report provides a balanced and reasonable representation of the sustainability performance and includes both positive and negative contributions (Ref: GRI).

Global Warming – is the gradual increase in average temperatures at the earth’s surface, believed to result from the “greenhouse effect” due to increased atmospheric concentration of carbon dioxide and other gases.

Corporate Social Responsibility – is the commitment to uphold the rights of citizens and the communities, behave according to accepted ethical standards, and contribute to socio-economic development and quality of life.

Brand Equity – is an intangible value-added aspect of particular goods.

Human Capital – is the set of skills which employees acquire on the job, through training, and experience, and which increase their value in the marketplace.

Base Year – is a specific year against which a company’s emissions are tracked over time. For the purposes of The Climate Registry, the reporter’s base year is defined as the first year for which a comprehensive emissions inventory is submitted.

CO₂ Equivalent – is the quantity of a given GHG multiplied by its total global warming potential. This is the standard unit for comparing emissions of different GHGs.



De Minimis Emissions – for purposes of The Climate Registry, a quantity of GHG emissions from one or more sources, for one or more gases, which, when summed, equal less than 3 percent of an organization’s total emissions.

Direct Emissions – are emissions from sources that are owned or controlled by the reporting entity, including stationary combustion emissions, mobile combustion emissions, process emissions, and fugitive emissions.

Fugitive Emissions – are emissions resulting from intentional or unintentional releases (e.g. releases of sulfur hexafluoride (SF₆) from electrical equipment, methane (CH₄) emissions from coal mines, hydrofluorocarbon (HFC) emissions during the use of refrigeration and air conditioning equipment, etc.).

Global Warming Potential – (GWP) is the ratio of radiative forcing (degree of warming to the atmosphere) that would result from the emission of one unit of a given GHG compared to one unit of carbon dioxide (CO₂)

Greenhouse Gases – (GHG) for the purposes of The Climate Registry, GHGs are the six gases identified in the Kyoto Protocol: carbon dioxide (CO₂), nitrous oxide (N₂O), methane (CH₄), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆).

Indirect Emissions – are emissions that are a consequence of the activities of the reporting entity, but that occur at sources owned or controlled by another entity. For example, emissions that occur at a power plant as a result of electricity used by a manufacturing company represent the manufacturer’s indirect emissions.

Stationary Combustion Emissions – are emissions from the combustion of fuels to produce electricity, steam, heat, or power using equipment in a fixed location.

Stakeholders – are those groups or individuals: a) that can reasonably be expected to be significantly affected by the organization’s activities, products, and/or services; or b) whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives.

Management Approach – are disclosures that cover how an organization addresses a given set of topics in order to provide context for understanding performance in a specific area.

MARKET-BASED SOLUTIONS BUILT AROUND THE CORE VALUES OF SUSTAINABLE BUSINESS PRACTICES

7. RESOURCES

The following web sites contain a wealth of information that may be useful to the applicant in preparing their application package for the SBD Program Certification.

1. Enhancing Furniture's Environmental Culture (EFEC)
www.ahfa.us
2. Global Reporting Initiative (GRI)/Sustainability Reporting Guidelines (SRG)
www.globalreporting.org
3. Life Cycle Assessment (LCA)
www.epa.gov/nrmrl/lcaccess
www.lcacenter.org
4. The Climate Registry
www.theclimateregistry.org
5. California Climate Action Registry
www.climateregistry.org
6. Abundant Forest Alliance
www.abundantforests.org
7. Programme for the Endorsement of Forest Certification
www.pefc.org
8. Sustainable Forestry Initiative
www.sfiprogram.org
9. Forest Stewardship Council
www.fsc.org
10. Appalachian Hardwoods Manufacturers Inc.
www.appalachianwood.org

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8. ACRONYMS

AHFA – American Home Furnishings Alliance
AHMI – Appalachian Hardwoods Manufacturers Inc.
AHVS – Appalachian Hardwoods Verification System
ATCM – Air Toxics Control Measures
ATFS – American Tree Farm System
BOE – Board of Examiners
CARB – California Air Resources Board
CSA – Canadian Standards Association
EFEC – Enhancing Furniture’s Environmental Culture
EHS – Environmental, Health, and Safety
EMS – Environmental Management System
EU – European Union
FFCS – Finnish Forest Certification Standard
FSC – Forestry Stewardship Council
GEMI – Global Environmental Management Initiative
GFTN – Global Forest and Trade Network
GHG – Greenhouse Gases
GRI – Global Reporting Initiative
HAP – Hazardous Air Pollutants
ILO – International Labor Organization
LCA – Life Cycle Assessment
MACT – Maximum Achievable Control Technology
MTCC – Malaysian Timber Certification Council
NGO – Non-governmental Organizations
PBDE – Polybrominated diphenylethers
PEFC – Programme for the Endorsement of Forest Certification
SBD – Sustainable by Design
SBP – Sustainable Business Practices
SFI – Sustainable Forestry Initiative

SFM – Sustainable Forest Management System
SRG – Sustainability Reporting Guidelines
UKWAS – United Kingdom Woodland Assurance Standard
VOC – Volatile Organic Compounds

MARKET-BASED SOLUTIONS BUILT AROUND THE CORE
VALUES OF SUSTAINABLE BUSINESS PRACTICES

9. LIMITATIONS

Report Limitations

This document was prepared solely for American Home Furnishings Alliance in accordance with professional standards at the time the services were performed and in accordance with the contract between American Home Furnishings Alliance and Brown and Caldwell. This document is governed by the specific scope of work authorized by American Home Furnishings Alliance; it is not intended to be relied upon by any other party. We have relied on information or instructions provided by American Home Furnishings Alliance and other parties and, unless otherwise expressly indicated, have made no independent investigation as to the validity, completeness, or accuracy of such information.