

Comments by the Federal Ministry for Economic Cooperation and Development on the report published by the non-governmental organisations Femnet and Public Eye “Hält der Grüne Knopf, was er verspricht?” [Does the Green Button live up to its promises?]

Preliminary remarks

The Green Button is the government-run textile label. It was launched in 2019 by the Federal Ministry for Economic Cooperation and Development (BMZ).

The Green Button sets demanding requirements. What makes this textile certification label different is that, in addition to assessing individual products, it is the first label that systematically checks whether the company concerned meets its due diligence obligations. Is the company aware of the risks in its supply chain? Is it taking action to remove them? A few products “for show” are not enough. The entire company must commit to this path. Altogether a total of 46 stringent social and environmental standards must be met.

The report presented by Femnet and Public Eye focuses on what companies say about their corporate due diligence in reports available in the *public domain*. In the introductory phase, the scheme owner has allowed for transition periods in this regard. It is up to the certification bodies to check in the random subsequent audits that these transition deadlines have been met. That is why the scheme owner has asked the Green Button Secretariat to examine the report and pass on any valid points it makes to the certification bodies for checking. In the case of the example of one company’s lack of policy statement, this has already been done. In the draft requirements for the Green Button 2.0 there are no more transition deadlines. This means that under the Green Button 2.0 public reporting is already a necessary prerequisite at the first audit.

In addition, a distinction must be made between public reporting and the actual auditing done by independent auditors. In the course of the audit at the company headquarters, companies are required to address any gaps there may be. This means that, if there are any gaps in the public reporting, it *cannot* just be generally concluded that these aspects were not taken into account in the audit. Consequently, we firmly reject the criticism made on this point.

As is common practice with labels of this kind, the Green Button also began with an introductory phase, which will end in 2021. It is laid down in the Regulations governing use of the certification mark (Grüner Knopf Regulations) that both the due diligence and the product requirements of the Green Button are to be continuously reviewed and developed in collaboration with civil society, academia and industry.



1. Fundamental statements about the government-run textile label in the Femnet and Public Eye report

1.1. Assertion: The Green Button is “only” a voluntary certification programme

Our response to this criticism is:

The UN Guiding Principles on Business and Human Rights envisage a smart mix of voluntary and binding measures. It is therefore obvious that, in addition to binding requirements, the state must also make provision for voluntary measures. This is because binding regulations alone – without flanking voluntary measures – will not achieve the desired positive effects. Instead governments need to establish positive incentives here, so that companies will embark freely on the desired path. With the Textiles Partnership and also with the Green Button we are offering these voluntary systems and are thus creating an important building block for the smart mix called for by the UN.

Parallel to the further development of the Green Button, the German government is working on a binding due diligence law for all sectors. The Green Button is already showing us that corporate due diligence can be implemented and verified. The due diligence law and the Green Button both have the UN Guiding Principles as their basis. This means that the Green Button is like a blueprint for a due diligence law, because it shows that compliance with corporate due diligence is possible, implementable and independently verifiable in the globally networked textile supply chain.

Even after a due diligence law has been put in place, the Green Button will remain as a voluntary label that the German government will award to sustainability pioneers who go beyond the minimum standards required by law.

1.2. Assertion: There are exceptions to the rules for production in the EU

Our response to this criticism is:

Regardless of whether the textiles in question have been produced in Germany, the EU or elsewhere, **the due diligence requirements of the Green Button apply for all companies involved**. The requirements are that a company must identify and remedy any risks in its supply chain – for production in Europe this can be, for example, inadequate wages or excessive working hours. This means that it is simply not correct to say that an exception to social standards is made for companies which produce goods in the EU.

1.3. Assertion: The Green Button does not demand the payment of living wages

Our response to this criticism is:

So far, there is not one single standard anywhere in the world which ensures that living wages are paid. Until now, the standard which goes the furthest in this direction is the Fairtrade Standard, which envisages living wages being paid within a period of six years. The particular challenge when it comes to the payment of living wages is that this is not an area where a single actor can realise the desired outcome alone. This is something that requires



intensive exchange between companies, trade unions and local policymakers. With the Green Button – unlike the vast majority of voluntary standards – we are tackling this challenge. As announced when it was launched, starting from 2021, the Green Button will explicitly address the topic of “living wages” and will support companies in their efforts to make the payment of living wages possible.

1.4. Assertion: The Green Button does not cover the entire supply chain

Our response to this criticism is:

The Green Button delivers what it promises: from the very start, it has been communicated publicly and transparently that, in its introductory phase, the Green Button will initially cover the key production stages of “cutting and sewing” and “bleaching and dyeing”. This can be seen for example on the Green Button website or in relevant brochures. These are production stages where the challenges are particularly significant, as the tragedies of Rana Plaza, Tazreen and Ali Enterprises clearly revealed. All of the 100 billion items of textiles produced each year go through these production stages.

The production requirements of the Green Button 1.0 build on recognised labels, some of which cover the entire supply chain (e.g. GOTS). In those cases, this means that the entire supply chain is included in the product requirements.

As already stated at its launch, the Green Button will cover further production stages in the future. Right now, we are looking into the possibilities for extending the label to cover fibre production. In the case of synthetic fibres, the Green Button must itself do pioneering work, because the standards for these fibres have yet to be developed.

2. Findings of the report with regard to the reporting obligations of companies

Preliminary remarks on methods: The report confines itself to evaluating the **public reports** of about half the companies that have been audited for the Green Button label. However, there is a difference between public reports and audits carried out by accredited certification bodies. **In the audits, questions are specifically asked about risk management, grievance mechanisms, etc. This is in addition to public reporting.**

With regard to the public communications assessed by the report, the indicator 4.1.5 requires companies to communicate publicly about their prioritised risks and to give reasons, **if asked to do so**, as to why they have not given priority to certain risks. If the report finds that a company does not report publicly or does not report adequately on the risks mentioned in the report as examples, it cannot be deduced that the company does not actually address that risk. It merely means that it has not reported on it publicly. To deduce from a lack of reporting that a company violates human rights is not a convincing line of argument.

Regardless of that, **the extent of public reporting** will be further developed in the course of launching the Green Button 2.0. Revised and more demanding requirements are currently the



subject of public consultation and, in the interests of transparency, can be viewed by everyone at <https://www.gruener-knopf.de/en/consultation>.

2.1. Policy statement

- From a total of 31 companies, 30 have published policy statements and comply with this requirement. One company had not published its policy statement.
- The case of a lack of policy statement referred to in the report has already been addressed within the regular random audit and has been remedied.

2.2. Gender-based violence

- According to the report, 21 companies have not prioritised gender-based violence as a risk in their public reports. In a summary of their report, the organisations' conclusion from that is as follows: "The fact is, therefore, that two thirds of these companies do not perceive gender-based violence in the factory as a human rights violation." This overlooks the actual company audit, so the methods used to reach this conclusion are questionable (see preliminary remarks above).

2.3. Grievance mechanisms

- According to the report, detailed information about received grievances was only found at some companies. Based on this finding, the report reaches the conclusion that "so far, many companies only have unsystematic or completely inadequate grievance mechanisms in place." To deduce from a failure to communicate about grievances that there is no system for dealing with them is a conclusion that is not grounded in solid methodology.

2.4. Payment of living wages

- The OECD has identified "not complying with minimum wage laws" as one of twelve sector-based risks for the textile sector. The payment of minimum wages or of industry wages that are higher than the minimum wage is a product requirement and thus already a binding requirement that companies must meet for the Green Button. The payment of living wages, on the other hand, is not yet a requirement that companies must meet under the Green Button 1.0.



3. Further developments within the framework of the Green Button 2.0

On 18 December 2020, the first public consultation phase for the Green Button 2.0 began. The following are some of the priorities envisaged by the scheme owner for the further development of the Green Button:

- Public communication on **company-specific risks** and the subsequent drafting of a **strategy and goals** is more clearly anchored in core element 1 in the Green Button 2.0. Communication on the implementation of the strategy and the achievement of the goals has likewise been more explicitly formulated in core element 4. One **new** aspect is that companies are also required to communicate about the **challenges entailed in implementing the standards**, thus ensuring greater transparency.
- The **company's own risk profile must be stated more clearly**, and the risks must be prioritised according to the severity of the impacts and the likelihood of them occurring. This is already set out under the Green Button 1.0.
- The Green Button is meant to cover **more production stages**, e.g. **which fibres are used**.
- The Green Button is meant to include **steps towards achieving living wages**. So far, minimum wages or higher industry-based wages have been obligatory.

4. Replies to the recommendations made to the scheme owner

Recommendations from the report are already being implemented:

- **OECD exchange:** A first comparison with the requirements of the OECD has already been carried out and the results have been incorporated into the draft requirements for the Green Button 2.0. OECD alignment is planned for the Green Button 2.0. There is good and intensive dialogue with the OECD on the Green Button.
- The **training programme for auditors has been expanded significantly**. For this purpose, an online course has been drawn up with approx. 12 hours of video material and publications, and an obligatory three-and-a-half-day in-person seminar including a final test has been put together. Starting from 1 March 2021, *only* approved auditing bodies that have successfully completed the whole of the training programme and have in addition participated in supplementary seminars will be permitted to act as auditors for the Green Button.
- There are plans in place to expand the supply chain stages in the Green Button 2.0 to include the fibre level.
- Reporting obligations have been consolidated for the Green Button 2.0 and public consultation on them is under way.



- The payment of living wages is to be addressed in the Green Button 2.0 as a focal topic.
- Supply chain transparency: Every product bearing the Green Button label has a **QR code** or a link attached to it leading to transparent information about the **audited company** and the certified products. The information that is provided will be further expanded as part of the further development of the Green Button.
- Under the Green Button 2.0, monitoring of measures will be a stronger part of the random subsequent audit.
- Strengthening the two-pillar model (product requirements and due diligence requirements) is part of the current draft for the Green Button 2.0.
- Grievance mechanisms are a focal topic for the further development of the Green Button 2.0.

Furthermore, since its launch in 2019, the following steps have been taken to develop the label further:

- An independent **expert advisory council** composed of representatives from industry, civil society and academia has been set up. This council makes recommendations to the scheme owner regarding the further development of the Green Button:
 - o Michael Windfuhr, Deputy Director, German Institute for Human Rights (*Chair*),
 - o Achim Lohrie, advisor and former head of CSR at Tchibo (*Deputy Chair*),
 - o Philipp von Bremen, Federation of German Consumer Organisations,
 - o Prof. Stefanie Lorenzen, Berlin School of Economics and Law,
 - o Dr Raoul Kirmes, German National Accreditation Body (DAkkS).
- A recognised certification institution, namely **RAL Gütezeichen**, has now taken on the task of **awarding the label**. In addition to overseeing the licensing process, RAL Gütezeichen is also responsible for market monitoring.

In 2020, the certification programme was expanded with support from Assurance Services International (ASI), one of the world's leading partners for sustainability standards systems, and from the German National Accreditation Body (DAkkS), the "certifier of certifiers".



5. Conclusions

- The Green Button delivers what it promises. The fundamental criticism of the Green Button in the report concerns aspects that in many ways go beyond what the Green Button itself claims to do.
- The Green Button is in the introductory phase and its requirements for corporate due diligence are a pioneering contribution. The scheme owner is aware that a label needs to be constantly developing. That is why, even under the Green Button 1.0, numerous adjustments have been undertaken and why intensive efforts are being made to establish an even more ambitious standard for the Green Button 2.0.
- The individual points of criticism with regard to reporting obligations are currently being evaluated in detail and are being addressed in the ongoing process of reviewing and developing the Green Button.
- To that end, we are engaged in close dialogue with companies, civil society and internationally recognised experts like the OECD and the auditing institutions.