

FACTSHEET

The “Grüner Knopf” does not guarantee effective protection of human rights

The “Grüner Knopf” (green button) sustainability certification label sells itself with the slogan “socially sound; environmentally sound; government-run; independently certified”. Yet the label’s criteria and audits are not sufficiently rigorous. As a result, the label graces products produced by companies that do not provide sufficient guarantees in relation to compliance with human rights.

Does the “Grüner Knopf” deliver on its promise?

There are high expectations of the “Grüner Knopf” (green button). The certification label was launched by the German Federal Ministry of Economic Cooperation and Development (BMZ) and seeks to demonstrate that it is in fact possible for consumers to purchase sustainable clothing – the idea is for a green button attached to a t-shirt, cap or bed linen to serve as a reliable signal amid the sea of labels.

Yet can the “Grüner Knopf” meet its self-proclaimed aspiration? Can consumers really be sure that certified products are produced in a socially and environmentally ‘sound’ manner? Can they know that companies are living up to their due diligence responsibilities in terms of human rights?

One year on from the launch of the “Grüner Knopf”, FEMNET and Public Eye have investigated and scrutinised companies’ public disclosures with regard to their due diligence processes. **The sobering conclusion is that, in contrast to the logo’s claim, in practice the “Grüner Knopf” does not provide a guarantee of socially ‘sound’ conditions of production.** Many companies’ public disclosures are insufficient. There are also shortcomings with regard to standards and auditing processes, meaning that in practice the “Grüner Knopf” does not deliver what so many expect of it: clothing and textile products that were produced free from exploitation and environmental damage.

Spotlight on the “Grüner Knopf’s” ‘company criteria’

Many other certification labels only audit products and their production processes. However, the developer of the “Grüner Knopf”, the BMZ, recognises that this alone is insufficient because it does not capture structural problems that arise from the business practices of branded companies. This includes for example the pricing pressure that many fashion companies exert on their suppliers; increasingly short delivery deadlines; the practice of playing suppliers off against one other or the systematic repression of unions. As a result, in addition to product-specific criteria, the “Grüner Knopf” also requires companies to meet 20 ‘company criteria’.

FACTSHEET ON THE RESEARCH REPORT “Hält der Grüne Knopf was er verspricht? Was Unternehmen über menschenrechtliche Risiken und Maßnahmen in ihren Lieferketten berichten”, published by FEMNET and Public Eye in January 2021.

The company criteria are organised around five core elements: whether companies 1) assure human rights and environmental protection in corporate policy; 2) analyse risks and impacts of their activities throughout their supply chains; 3) take effective action to mitigate these risks; 4) report publicly and transparently; 5) provide grievance mechanisms for potential complaints.

The core elements are guided by the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.

The investigation

The investigation analysed the public disclosures of 31 „Grüner Knopf” companies¹. The analysis covered information published on company websites and information on companies’ due diligence processes provided upon request. The information was entered into an analysis grid based on public disclosure requirements of the “Grüner Knopf” label and of the OECD Guidelines. Particular attention was paid to three specific risks that are particularly high in the textile industry: failure to provide a living wage; gender-based violence and restrictions to freedom of association. The main questions asked as part of the investigation were:

- ➔ Do the companies certified by the “Grüner Knopf” label fulfil their responsibilities with regard to public disclosure (in line with criterion 4.1)?
- ➔ Are the processes publicly disclosed by the companies sufficient to ensure they fulfil their human rights due diligence responsibility and protect human rights in their supply chains?

Overview of the findings

Companies report on human rights risks in a general manner, but provide little information that is meaningful or relevant to their specific supply chain.

Many of the 31 companies communicate in general terms about the elements of their due diligence processes. Yet only eight provide details of country-specific risks or risks that arise due to their purchasing practices. The majority of companies’ public disclosures regarding risks are incomplete. In some cases, the specific structure of the company or supply chain is not sufficiently taken into account in risk assessments. In other cases, risks that are either significant or prevalent in textile supply chains are not prioritised, or at times not even addressed, and no plausible explanation is provided.

Living wages are not prioritised.

Only two companies report in a substantive manner on the likelihood and severity of the risk that living wages are not paid. 11 companies prioritise the risk, but do not disclose the scope or severity of the problem. 18 companies do not visibly prioritise the risk at all. This is problematic because poverty wages are not only a widespread and severe violation in and of themselves, they increase the risk of other infringements in the workplace (e.g. excessive working hours) and in the daily lives of workers and their families (e.g. malnutrition). The low level of priority attached to wages is also reflected in the measures communicated by companies. The investigation only revealed meaningful information on measures on living wages in the case of five companies.

¹ 3Freunde, Aldi Nord, Aldi Süd, Alma & Lovis, Bierbaum Unternehmensgruppe, Bonprix (Otto Group), Brands Fashion, CharLe, Derbe (K-Sports), Dibella, Engel, Feuervogl, Hakro, Hans Natur, Hess Natur, Hopp, Kaufland, Kaya&Kato, Lidl, Melawear, Miles (Li & Fung), Millitomm, Modespitze Plauen, Phyne, Pos.sei.mo, Rewe, Schweickhardt Moden, Tchibo, Teamdress, Trigema and Vaude.

Gender-based violence is hidden.

Only three companies report on the likelihood and severity of the risk of gender-based violence in the workplace. Seven explicitly name the issue; the remaining 21 companies neither prioritise nor mention gender-based violence as a significant risk. In practice therefore, two thirds of companies do not recognise gender-based violence in factories as a violation of human rights. This is extremely problematic, because women comprise the majority of workers in the textile sector and gender-based violence is a widespread issue.

This low prioritisation leads companies to take little action to mitigate the risk of gender-based violence in their supply chains – only four companies disclosed targeted measures.

The repression of unions is not considered a high risk.

Only two companies disclose the likelihood and severity of the risk of restricted freedom of association. Nine companies only made general disclosures but did at least emphasise the risk. The other 20 companies did not prioritise freedom of association as a significant risk. Only nine companies report on activities aimed at ensuring free union activity. This is despite the fact that all companies recognise the ILO’s core labour standards and must be aware of the key role played by active unions in implementing labour rights and socially responsible production conditions.

Companies provide only weak grievance mechanisms.

Four companies provided meaningful information on a robust grievance mechanism; for 18 companies there were indications of rudimentary approaches to grievance mechanisms, while nine companies provided no indication of any effort. It is possible that these companies rely in part on initiatives or certifications that require formal local grievance mechanisms (mostly at factory-level) or they do not consider their production locations to be at-risk countries. Yet they do not make any statements to this effect. It is evident from the fact that only five companies provide meaningful and detailed information on complaints received that to date many companies have only unsystematic or fully insufficient grievance mechanisms.

Conclusion and recommendations

The “Grüner Knopf” clearly falls short of the requirements outlined in the OECD Guidelines with regard to public disclosure on human rights due diligence.

The BMZ needs to make active adjustments to prevent the “Grüner Knopf” from establishing a lower standard and promoting only superficial due diligence requirements. The “Grüner Knopf” indicators must be tightened to achieve at least the level of the requirements of the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.

Companies must not receive “Grüner Knopf” certification if they only partially meet the criteria or simply disclose an intention to implement them in the future.

The “Grüner Knopf” brand provides a guarantee. In providing the certification, the BMZ is guaranteeing that, at the time the products bear the certification, the products, the working conditions in which they are produced and the corporate practices of the branded companies fully meet the criteria required by the label. Companies should only be awarded “Grüner Knopf” certification if their measures are tailored to the risks they prioritise and if they disclose the measures they take to remove or mitigate these risks. The certification process must also assess whether these measures are in fact appropriate for the mitigation of violations and risks throughout the supply chain during a defined time period.

The “Grüner Knopf” must not make exceptions for products produced in the EU.

If companies can prove that products are fully produced in the EU, they are not required to provide any additional information on the social criteria in order to achieve compliance with the product criteria element of “Grüner Knopf” certification. Yet rights are also violated in Europe; ‘Made in the EU’ is no guarantee for decent working conditions. With regard to company criteria, the BMZ considers that every company that produces in the EU must “know and analyse the risks in EU producer countries and take effective counter measures”. Yet the investigation revealed that the reported risk assessments and measures are too unspecific and insufficient to effectively address the problems, such as poverty wages, associated with production in the EU.

Production seals alone do not sufficiently guarantee protection of human rights.

For numerous indicators, the “Grüner Knopf” leaflet and information package suggests that the widespread use of certifications like GOTS and Fairtrade and “Corrective Action Plans” already provide sufficient measures on human rights due diligence requirements in the context of social audits. However, this undermines the useful two-pillar model, which provides for the audit of companies alongside the audit of products. Recognising product certifications as proof would nullify the value of the company audits.

The “Grüner Knopf” is not suitable as a blueprint for supply chain legislation.

It does a disservice to the principle of due diligence responsibility if a company can disclose information on risks that is comprehensive, but only abstract or general or that is not relevant to its specific supply chains, yet still receive recognition in the form of a government certification. It is equally problematic to accept information on individual risk management measures if the information does not communicate the extent to which the risk applies to the supply chain or the effectiveness of the measures.

The current criteria of the “Grüner Knopf” do not provide an adequate template for the development of requirements for supply chain legislation in Germany, the EU or elsewhere.

The action of formally naming specific risks, measures or other aspects is not a crucial factor. Rather, it is crucial that the information is meaningful in practical terms and for it to be up-to-date and clear and relevant and specific to the context of the structure and size of the supply chain and company.

For example, it makes a significant difference whether a company is running a programme on preventing gender-based violence with its two single suppliers or whether the company has 1,000 suppliers and is running the programme with only two of them. It also makes a difference whether a company assesses and communicates the effectiveness of this programme or simply reports on its existence, without disclosing how effective it is.

In the requirements for public communication, the BMZ must clarify that simply naming a risk in general terms is insufficient. Companies should be required to report on risks that have been identified, providing comprehensive, specific information related to their own business activities, their purchasing practices and the structure of their supply chains. The “Grüner Knopf” must impose minimum requirements with regard to supply chain transparency. This is crucial in making it possible to assess whether risk assessments are appropriate and to identify risks and violations on the part of specific suppliers in a targeted manner.

Recommendations to the BMZ as certifier

- “Grüner Knopf” indicators **should be adjusted** to at least meet the level of requirement of the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. To this end, the BMZ should commission an alignment assessment between the “Grüner Knopf” and OECD Guidelines.
- The **training and guidelines for inspection bodies** should be adapted to ensure these bodies take account of the context of an individual company’s supply chains in their assessments of the meaningfulness of its public disclosures.
- The requirements of the “Grüner Knopf” should be **expanded to apply to the entire supply chain**. Currently, the requirements only apply to the ‘cutting and sewing’ and ‘bleaching and dyeing’ stages. This hinders holistic understanding of human rights due diligence assessments. Sub-suppliers and contractors or home workers should also be included.
- With regard to the requirements on public disclosure, the BMZ must clarify that simply **naming a risk** is insufficient. Companies should have to disclose information on identified risks and provide comprehensive and specific information that is relevant to their own business activities, purchasing practices and the structure of their supply chains.
- The requirement to undertake **risk assessments** should make it compulsory to carry out systematic gap analyses to identify the likelihood and severity of risks in each country, at least in relation to priority topics.
- The “Grüner Knopf” should impose minimum requirements on **supply chain transparency**. Companies should disclose as a minimum the name, address, parent company, nature of the goods produced and number of workers employed by suppliers.
- Companies must only be able to receive “Grüner Knopf” certification if they use targeted **measures** to respond to the risks they prioritise and if they report on steps they are taking to eliminate or mitigate these risks. Flagship projects alone do not represent sufficient measures; follow-up assessments are required to evaluate the efficacy of the measures that have been implemented.
- In the “Grüner Knopf” certification, **product certificates must not be accepted as proof** of compliance with company criteria because this renders the two-pillar model ineffective. The company assessment must focus more closely on the implementation of measures, rather than just prioritised risks.
- The BMZ should require companies to report publicly and transparently on their **purchasing practices** and in particular should require that they (re)structure purchase prices to reduce human rights risks in their supply chains.
- The criteria on **grievance mechanisms** must make it clear that mechanisms set up at company level must as a minimum comply with the quality requirements of the OECD Guidelines (lawful; accessible; accountable; fair; transparent; dialogue-based). Companies’ public disclosure on this topic must clearly outline how the grievance mechanism meets the quality requirements and how it functions.

Further findings and recommendations are available in the research report
(only available in German): www.publiceye.ch/gruener-knopf