

Development of the Green Button 2.0

Consultation Terms of Reference (July 2021)

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Introduction

The Green Button (Grüner Knopf) is a government-run certification label for sustainably manufactured textiles, placed on the market by companies committed to the fulfilment of their due diligence obligations. As the scheme owner, the German Federal Ministry for Economic Cooperation and Development (BMZ) already announced at its launch, that it would gradually develop the certification label further. Measures to protect people and the environment are to be expanded, and risks are to be addressed in an even better manner - with the long-term goal of protecting people and the environment along the entire supply chain and helping to strengthen responsible conduct within the broader sector.

We would at this stage also like to thank those who have already contributed their valuable feedback in the first consultation. The results of the first consultation phase are published in the form of a synopsis on the Green Button website (<https://www.gruener-knopf.de/en/consultation>) and can be accessed [here](#).

You are now all cordially invited to participate in the second public consultation of the Green Button 2.0 requirements.

The participation process for the further development is freely accessible and open to all interested parties. The draft of the new Green Button 2.0 requirements is available for the download on our website. You can submit your feedback on individual topics via our survey, or send it to revision@gruener-knopf.de.

In this document, you will find all relevant information on the objectives, context, and processes of the consultation.

We thank you for your interest and participation and look forward to your feedback.

Background

The Green Button was launched in September 2019 to provide consumers with orientation when purchasing sustainable textile products. The entire company is assessed using the due diligence requirements to determine whether it conducts itself responsibly. Individual showcase products are not enough. The product requirements are based on demanding third-party certification schemes (meta-label approach), which assess that high social and environmental standards have been considered in the manufacturing process of the product. The meta-label approach is used to value existing, good certification schemes and at the same time prevent further audits at supplier factories. The Green Button thus avoids exacerbating the so-called "audit fatigue" in supply chains.

In addition to the aforementioned requirements, the functioning assessment framework is pivotal to a credible certification label. During the ongoing pilot phase of the Green Button 1.0, a central focus was placed on strengthening this infrastructure. Over the course of this period, the Green Button was registered as an EU certification mark and its central reference documents (Regulations governing use and certification program) were revised, building on the experience gained in the audits. A comprehensive training program for certification bodies and auditors was introduced in order to obtain comparable and solid assessment results. In addition, RAL gGmbH was commissioned as the awarding body with market monitoring in order to prevent the improper use of the label.

For a certification labels and schemes, a revision process being conducted every 3 to 5 years is common practice. The Green Button will be presented in a revised and improved version – the Green Button 2.0 – just two years after its introduction. This way, the scheme owner wants to emphasize its interest in gradually raising ambition levels. The aim is to establish a Green Button on the market in the long-term, which requires compliance with stringent standards for the entire supply chain and promotes the recyclability of products. The Green Button is also intended to address key challenges facing the textile industry, such as the gap between minimum wages paid and living wages.

The draft requirements now available are a clear step in this direction. The independent expert advisory council has also confirmed this in its statement on the draft due diligence requirements in the first consultation (see statement here). The advisory council's statement for drafted requirements that are being consulted now in this second phase will soon follow.

The intense revision phase has nonetheless also made clear where limiting factors lie. Awareness of the importance of sustainability is there – also in companies, as shown by various studies¹. The United Nations Guiding Principles on Business and Human Rights are increasingly gaining acceptance for the definition of companies' own due diligence obligations in supply chains and are further promoted by the adoption of the German Supply Chain Due Diligence Act. Despite all this, the implementation of some requirements is not yet feasible. For example, information gaps prevent full transparency regarding deeper supply chain (raw material extraction, spinning, weaving), which is a hurdle for a good risk analysis along the entire supply chain.

At this point, it is also important to recognize the limitations to the influence of certification schemes. The implementation of living wages, for example, cannot be tackled by the Green Button alone – nonetheless, the government-run label can most certainly provide an important impetus here. Visible

¹ In a survey conducted by the trade magazine *Textilwirtschaft* in 2019, 78% of entrepreneurs assign this topic to the management.

results can only be achieved in conjunction with other measures. The scheme owner is currently also working on this in the context of a "Smart Mix" of different policy-making instruments.

Finally, the Green Button's meta-label approach - in which the its product requirements are not assessed by the Green Button certification bodies in the supply chain themselves - means that new, additional Green Button requirements can only work if they are covered by existing, third-party schemes. These would have to adopt corresponding requirements in their standard and implement them credibly. Here, the scope of innovation results from the cooperation with the recognized labels.

It is therefore important for the seal owner to, even at this stage, consider implications for the Green Button 3.0, which will take up and further develop the topics of the Green Button 2.0.

The Second Public Consultation

Consultation Aim

The aim of this consultation is to provide the scheme owner with further impetus for the finalization of the developed requirements for the Green Button 2.0, which should take effect in the license period from 2022 to 2025.

Overview of the Green Button 2.0 Draft Requirements

Due Diligence Requirements

With its due diligence requirements, the Green Button is the first standard and certification system to call for comprehensive responsible action by companies to comply with environmental and social standards in their supply chains. The Green Button specifies in concrete terms how corporate due diligence should be systematically implemented and is based on the UN Guiding Principles on Business and Human Rights and the OECD's recommendations for the garment sector.

Since the start of the revision phase in July 2020, the Green Button 2.0 due diligence requirements have been gradually developed and revised. In addition to the scheme owner's mandated new topics, the close exchange with the Green Button's advisory council played a guiding role. A first draft of the due diligence requirements was already thoroughly reviewed in a first public consultation between December 2020 and February 2021. These processes resulted in the following new developments for the Green Button 2.0:

- *Introduction of the development model.* The maximum deadlines for meeting the requirements that were in effect in the Green Button 1.0 will, in the Green Button 2.0, be replaced by a development model to ensure improvements in accordance with the principle of a dynamic due diligence process within the certification period of three years. For the indicators with "development levels", companies are now required to demonstrate an increase in their due diligence approach after two years.
- *Expanding the scope of the risk analysis to the entire supply chain.* In order to strengthen the reach of due diligence under the Green Button in the long term, risks must now be analyzed for the *entire* supply chain, from the production of raw materials to the manufacturing stage. As a prerequisite for the risk analysis, companies are required to map out their supply chains step by step and identify information gaps.
- *Engagement of potentially affected stakeholders.* Across all core elements, the requirements regarding the involvement of stakeholders have been strengthened, for example in the analysis of impacts and assessment of the effectiveness of measures.
- *First steps toward living wages.* The Green Button 2.0 has entirely new requirements on the subject of living wages at the manufacturing stage of production. Companies have to prove they have identified – where applicable – wage gaps for their high-risk suppliers, develop a strategy based on this, and after two years, demonstrate progress in the implementation of this strategy.
- *Grievance mechanisms.* Requirements on effective grievance mechanisms have been specified with necessary intermediate steps. In particular, the collection of information and analysis of gaps are now explicitly required, and a new indicator on processing grievances has been added.

- *Embedding due diligence in internal company processes.* In several core elements, the Green Button 2.0 strengthens and supplements requirements for systematically embedding due diligence in companies, for example through incentive structures for employees and decision-makers.

Product Requirements

The Green Button's product requirements in the areas of social and environmental sustainability formulate requirements for certification schemes that certify the socially and ecologically sound production of textiles (meta-label principle). Consequently, in order to be awarded the Green Button, products must already be certified by recognized and credible certification schemes. Thus, credible, existing standard systems are to be promoted, while also providing orientation for consumers, brands and retail companies.

In the Green Button 1.0, social criteria were formulated for the manufacturing stage of production (cutting and sewing) and environmental criteria for the wet processing stage of production (dyeing and bleaching). For the Green Button 2.0, these existing foundations will be built upon and the meta-label principle retained. The main innovations in terms of content include:

- *New requirements on social and environmental sustainability and occupational safety and health.* The social and environmental areas are selectively supplemented by additional criteria that are based on current sector-specific and internationally recognized social, labor and environmental standards for textiles and apparel and are compatible with the Green Button meta-principle. These include new social requirements for the protection of young workers and the payment of statutory social security benefits and new environmental requirements for the use of chemicals, waste management and energy and water consumption. Additionally, requirements for dealing with hazards to the occupational safety and health of workers are added as a separate thematic area of focus with its own criteria.

In addition, more detailed product requirements for sustainable fibre and material use have been developed, which were previously integrated in the Green Button 1.0 as part of the environmental requirements via the recognized certification schemes. The drafted requirements are intended to support the strategy set at the EU level for a low-CO2 circular economy; at the same time, they are to be seen as an intermediate step towards requirements for raw material production:

- *New requirements on the sustainable fibre and material use.* Certain fibers are approved for the Green Button, based on their sustainability properties in relevant life cycle phases (including raw material production, further processing, use phase and recyclability). Requirements for this area can, but do not have to be, verified by the recognized certification systems. Proof can be provided via other material- or fibre-specific certification systems; for some materials there are no requirements, or they are excluded across the board from use in Green Button products.

Scope of the Revision and Parallel Processes

In line with the objectives of the Green Button, the revision process aims to strike a balance between an high-level of ambition and the feasibility, not only for a select few, but for a broad number of companies with a wide range of business contexts. The current state of implementation in the industry has also been considered. For the product requirements in the social and environmental areas, it is also central to ensure the retention of the meta-label approach, i.e., to be able to ensure the recognition of the work by recognized certification schemes as far as possible in the future.

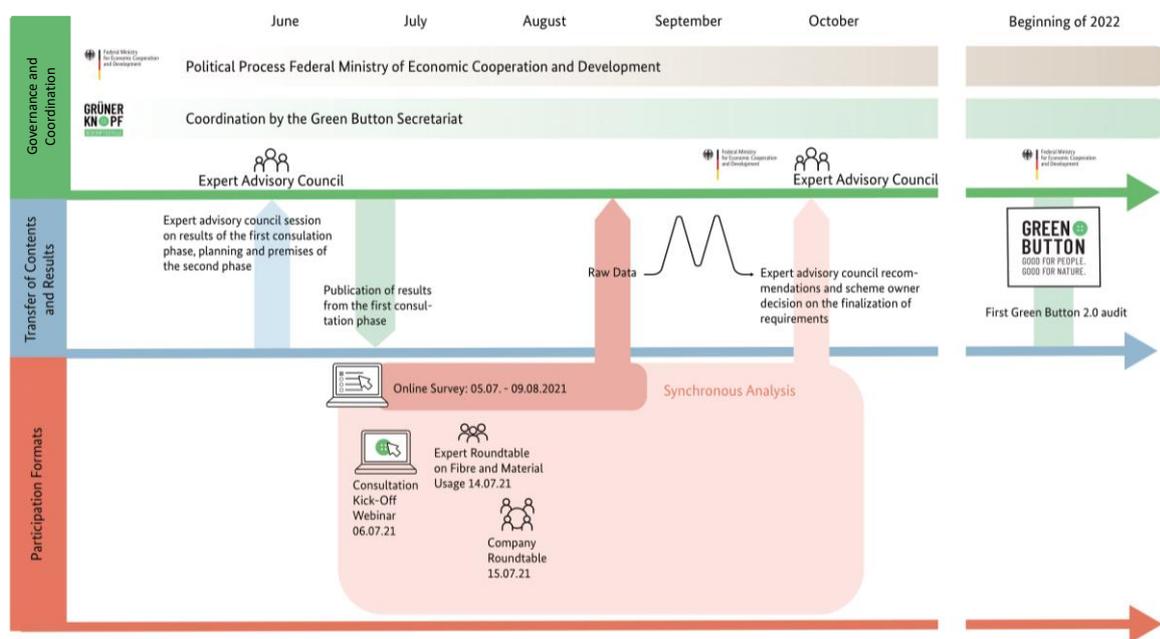
Sustainable supply chains, especially in the textile sector, are constantly evolving. Existing and emerging contextual developments, in addition to the aim of increasing responsible conduct within the market, play an important role in the revision of the requirements. Thus, in the coming weeks, in addition to feedback obtained during the consultation, the following parallel processes, among others, will also have an influence on the revision of the requirements:

- **Meta-label approach:** In order to continue the meta-label approach, round tables with representatives of the standard-setting organizations will be held as part of the consultation. In addition to the contents of the requirements, the events will also revolve around the planned recognition process for the various certification systems, including a review of the credibility principles. These are based on the principles of the Siegelklarheit Portal and are intended to ensure the credible implementation of the requirements by the recognized certification schemes.
- **Supply Chain Due Diligence Act:** On June 11, 2021, the German Bundestag passed the Supply Chain Due Diligence Act. The law defines binding requirements for the due diligence obligations of companies above a certain size. The legislation, like the Green Button, refers to international frameworks such as the United Nations Guiding Principles on Business and Human Rights. In the course of further development, the coherence of the Green Button 2.0 requirements with the forthcoming legislation will be reviewed. Minor adjustments have already been made in appropriate places to ensure consistency in terms of language and content with the requirements of the new Supply Chain Due Diligence Act.
- **Compliance with procurement law and use in sustainable public procurement:** The public sector has the opportunity with its procurement volume to significantly increase demand for sustainable products by taking social and environmental criteria into account when awarding contracts. For the Green Button 1.0, it is currently already possible for public procurers to integrate the product requirements in their procurement procedures as part of the award criteria or as conditions for implementation. The possibilities for integrating the Green Button 2.0 due diligence requirements in procurement processes are currently being explored. In particular, corresponding recommendations and wording aids are being drafted as eligibility criteria and proof of a sustainable supply chain management system. This process is running parallel to the public consultation.

Consultation Timeline and Processes

The revision phase of the Green Button is guided by the requirements of the *ISEAL Code of Good Practice for Setting Social and Environmental Standards*². This includes an extensive consultation with diverse Green Button stakeholders to ensure that new and revised requirements reflect the strategic objectives of the scheme owner, are based on the realities of stakeholders, suppliers and businesses, and meet consumer expectations.

The timeline of the consultation and the related processes are listed in the following diagram and explained in more detail in the corresponding sections.



Governance and Coordination

As scheme owner, the Federal Ministry for Economic Cooperation and Development sets the objectives for the development of the Green Button, with final decision-making authority on all questions concerning the certification scheme. The expert advisory council advises the scheme owner on the revision of the Green Button. The Green Button Secretariat, docked at the Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, supports the scheme owner in the technical development and implementation, and coordinates and supervises the consultation process. The consultation process and the participation formats are accompanied by the contractor polidia GmbH.

Public Formats

The consultation is open to all interested parties and is accessible in both German and English. It is conducted - as was the first public consultation - using an [online survey](#) published on the Green Button website, which is used as the primary tool for commenting on the product and due diligence requirements. In addition, it is also possible to contact the Green Button Secretariat via e-mail with questions and feedback (revision@gruener-knopf.de).

² *ISEAL Code of Good Practice for Setting Social and Environmental Standards*. United Kingdom: ISEAL Alliance, 2014

In order to inform stakeholders about the terms of the consultation, the Green Button Secretariat is offering a public kick-off webinar on July 6, 2021. A recording will be posted on the website following the event.

Focus Formats with Selected Stakeholders

In addition to the online survey, focus groups will be carried out. The goal is to talk to selected stakeholders and ask for their assessments in specific areas. The planned events include:

- Focus discussion on fibre and material use with experts and representatives of standard organizations.
- Focus discussions with Green Button-licensed companies on the due diligence requirements and requirements on fibre and material use
- Dialogue with standard-setting organizations on the product requirements and benchmarking process

Transfer of Results and Content

After completion of the second consultation, the collected feedback will be evaluated and the requirements revised. The processing of the results includes collecting contributions from the different consultation formats that contain relevant feedback for the Green Button product and due diligence requirements. The scheme owner also reserves the right to make further adjustments to the indicators to ensure coherence with higher-level processes at appropriate points, such as the binding regulations of the final Supply Chain Due Diligence Act and sustainable public procurement. In conformity with the *ISEAL Code of Good Practice*, all feedback received is collected and its (non-)consideration in the revision of the requirements is explained in written synopses.

Outlook

After the consultation feedback has been fully evaluated and processed, the requirements will be finalized by the scheme owner in consideration of the recommendations of the advisory council. The decision on implementation lies with the scheme owner, the German Federal Ministry for Economic Cooperation and Development. Subsequently, the results of the second consultation round will be published on the Green Button website and shared with all stakeholders. The first audits using the Green Button 2.0 assessment scheme are scheduled to start in the spring of 2022.

Do you still have questions?

Thank you for your interest and participation in the Green Button consultation! If you have any questions or are interested in a direct exchange, please feel free to contact us by mail at revision@gruener-knopf.de.