

Human rights due diligence in practice

How are companies working to uphold human rights in the global supply chain of leather (goods) and footwear?



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ABBREVIATIONEN

UN	United Nations
OECD	Organisation on Economic Co-operation and Development
B2B	Business-to-business
CSR	Corporate Social Responsibility
CR	Corporate Responsibility
ILO	International Labour Organisation
NGO	Non-governmental organisation
MSI	Multi-stakeholder initiative
REACH	Registration, evaluation, authorisation and restriction of chemicals (European Chemicals Regulation, registration and approval system for chemicals in the EU)
RAPEX	Rapid Exchange of Information System (the EU's rapid alert system for hazardous products)
ESG	Environment, social and governance

1. INTRODUCTION

The clothing and fashion industry has seen a substantial shift over recent years as market leaders in fast fashion, previously long unrivalled in size, have started to face competition from online providers. Tragic factory accidents such as those at Rana Plaza or Ali Enterprises have also brought inhumane production conditions in the fashion industry to the attention of the public. Public debate about labour law violations in production facilities and the ramifications of the fashion industry for health and the environment has led to growing criticism among consumers, which has manifested itself in more exacting demands placed on suppliers. Since then, the debate has led policymakers in some European countries to take the long-overdue step of enshrining requirements for companies in law with regard to reporting on sustainability, child or forced labour, and due diligence in supply chains.

In 2015, the Change Your Shoes campaign shone a spotlight on the shoe industry and conducted research into conditions in footwear and leather production facilities. Human rights abuses and environmental violations in countries such as Turkey, China, Indonesia and India began attracting media attention. Dialogue with companies operating in this area of the fashion industry was opened around this time. Nevertheless, the leather/footwear sector received far less public attention than the textile and clothing industry, despite the fact that human rights abuses and environmental violations are widespread in the industry, with the sectors considered to present considerable risk. Low wages, massive amounts of unpaid overtime, repression, informal working conditions, a lack of social security and inadequate health protection despite the use of highly toxic chemicals are part of everyday life for the people who produce shoes and leather for the European market. At the same time, studies¹ of the supply chains of leading European shoe manufacturers revealed the myriad risks and a need for action with regard to labour and human rights abuses, health risks and environmental and climate damage, and pointed out the lack of transparency and credible information for the public. With that in mind, the civil society initiative [Together for Decent Leather](#), an association of seven organisations in Asia and Europe, has been focusing its attention on leather, leather clothing, shoes and leather accessories since 2020. The aim is for companies to finally take responsibility for their supply chains, implement due diligence and improve living and working conditions in the sector. We conducted a survey on the policy and implementation of human rights due diligence in selected companies as a means of recording concrete examples of the status of these activities in the form of concrete examples. As such, this report looks at how selected suppliers of leather clothing and footwear in Austria and Germany, including market leaders in e-commerce, retailers and manufacturers, are complying with human rights due diligence.

What is the purpose of a business survey on human rights due diligence? The debate on corporate human rights responsibility and due diligence has gained momentum in various European countries over recent years. In Germany, the Bundestag passed the Supply Chain Due Diligence Act² on 11 June 2021, which from 2023 will legally oblige German companies to respect human rights in their supply chains and purchasing practices. The law sets out clear requirements for companies' due diligence obligations and their implementation. An extensive draft of an EU directive³ on due diligence for corporate management

1 INKOTA, Südwind (2017): Zeigt her eure Schuhe! Soziale und ökologische Auswirkungen von Gerbereien in Uttar Pradesh und Tamil Nadu in Indien. <https://webshop.inkota.de/node/1523>

2 Analysis by civil society organisation Initiative Lieferkettengesetz of the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz): https://lieferkettengesetz.de/wp-content/uploads/2022/04/Initiative-Lieferkettengesetz_Analyse_Was-das-neue-Gesetz-liefert.pdf

3 Analysis of the EU draft legislation by civil society organisation Initiative Lieferkettengesetz: https://lieferkettengesetz.de/wp-content/uploads/2022/04/Initiative-Lieferkettengesetz_Stellungnahme-zum-Kommissionsentwurf-1.pdf

and sustainability was also drawn up and presented on 23 February 2022. This is currently being examined by the EU Parliament and Council. Other European countries have legislative initiatives or laws in force that oblige companies to take care of the environment and respect human rights. This legal regulation by the European Commission and individual governments is a logical step towards making the requirements of the [UN Guiding Principles on Business and Human Rights](#) and the [OECD Guidelines for Multinational Enterprises](#) legally binding. According to the UN Guiding Principles and the OECD Guidelines, companies are obliged to take responsibility for their entire supply chain. They also have a responsibility to exercise due diligence, regardless of their size or operating environment. To do this, companies must draw up detailed risk analyses and eliminate any existing or potential risks. They are also required to provide (potentially) affected people in their supply chains with sound protocols for handling complaints and implementing remedy. Details of this are explained in the [OECD Due Diligence Guidance for Responsible Business Conduct](#). A [sector-specific guidance](#) provides recommendations for implementing human rights due diligence in supply chains for the garment and footwear industry. The business survey was conducted in the context of ongoing discussions on the implementation of the OECD's due diligence obligations, existing industry initiatives and the applicable legal requirements.

Aim of the survey: The survey and this evaluation examine the current status of the integration of human rights due diligence into corporate policy and the strategies and individual business practices of the companies surveyed. The aim is to ascertain what approaches, strategies, programmes and plans companies are pursuing in order to comply with human rights due diligence in business activities throughout their supply chains. This is not about ranking the selected companies; rather, the aim is to present and classify existing approaches to the implementation of human rights due diligence and to identify the challenges and areas where action is required.

The companies: A small random sample of ten very different companies that market leather products in Germany, Austria and elsewhere in Europe was specifically selected for the survey. Their business models include online trade, stationary stores, and the manufacture and supply of third-party-branded and own-brand leather garments and footwear for everyday use. Five of the ten companies asked agreed to take part in the survey (About You, Görtz, Legero, Otto Group, Zalando). Görtz did not fill out the questionnaire, but submitted a statement on matters that were the subject of the survey (see methodological procedure). Another five companies (Ara, Avocado Store, Leder und Schuh, Lorenz Shoe Group, Wortmann) did not take part in the survey for a variety of reasons and did not comment on how they implement due diligence obligations in their supply chains or ensure that workers' rights and the environment are protected. The survey was issued in the summer of 2021, with the opportunity for companies to hold additional discussions during the autumn/winter of 2021. Nevertheless, by the time that this report is published, the information presented may no longer reflect the current status of the company.

Methodological procedure: The survey is based on a questionnaire divided into three areas: 1. Corporate policy, 2. Labour and human rights in supply chains, and 3. Human rights due diligence and trade. The companies were asked to complete the questionnaire sent in July 2021 and to back up their information with additional documents. On this basis, discussions were held with representatives for the participating companies in order to clarify any outstanding questions, and some of the companies subsequently submitted supplementary written statements (over the period August–December 2021). With the exception of Legero, none of the companies submitted additional documents that are not also publicly available. This means that the information provided by the companies and the results presented here could not be verified using internal documents.

Presentation of the results: The information provided by the companies and the authors' notes are laid out according to the topic grid for the questionnaire. Company profiles are not presented separately. In its response, Görtz explained that it is currently developing and realigning its sustainability strategy in accordance with the OECD approach on due diligence with the support of an external consultant. As this process is not yet complete, it did not answer the questionnaire, but shared information on the specific areas in question. In the light of this, Görtz' results are presented differently to the other four companies.

Table 1: *Overview of the selected companies and their business models*

Company	Own brand(s)	Third-party brands	E-commerce /online shop	Online marketplace	Stationary stores
Zalando	x	x	x	x	x
Otto Group	x	x	x	x	x
About You	x	x	x	x	x
Legero	x	—	x	—	x
Görtz	x	x	x	x	x
Leder und Schuh	x	x	x	—	x
Avocado Store	—	x	x	x	—
Lorenz Shoe Group	x	—	x	—	x
Wortmann (Tamaris)	x	—	x	—	x
ARA	X	—	x	—	x

Table 2: *Details of companies that took part in the survey*

Company	Head office location	Number of employees	Turnover/ gross revenue	Brands
Zalando	Berlin	> 17,000	€10.4 million (2021)	Own brands: Anna Field, Even&Odd, Friboo, Pier One, Yourturn, ZIGN Third-party brands: >5,800 brands
Otto Group	Hamburg	49,895	€15.6 billion (2020/2021)	30 corporate groups, of which 22 are multi-channel trading companies, including Otto, Bonprix and Witt-Gruppe
About You	Hamburg	>1,000	€1.17 billion (2020/2021)	Own brands: ABOUT YOU Label, EDITED and various collaborations; Third-party brands: >2,000 brands
Legero	Feldkirchen bei Graz	~ 2,000	€180 million (2021)	Own brands: legero, superfit, Think!
Görtz	Hamburg	knapp 3,000	not specified	Own brands: Another A, Belmonodo, COX, Drievholt, Flare&Brugg, Ludwig Görtz

Colour key	Company took part in the survey (filled in questionnaire)
	Company made a statement
	Company did not take part in the survey

2. EVALUATION OF THE SURVEY

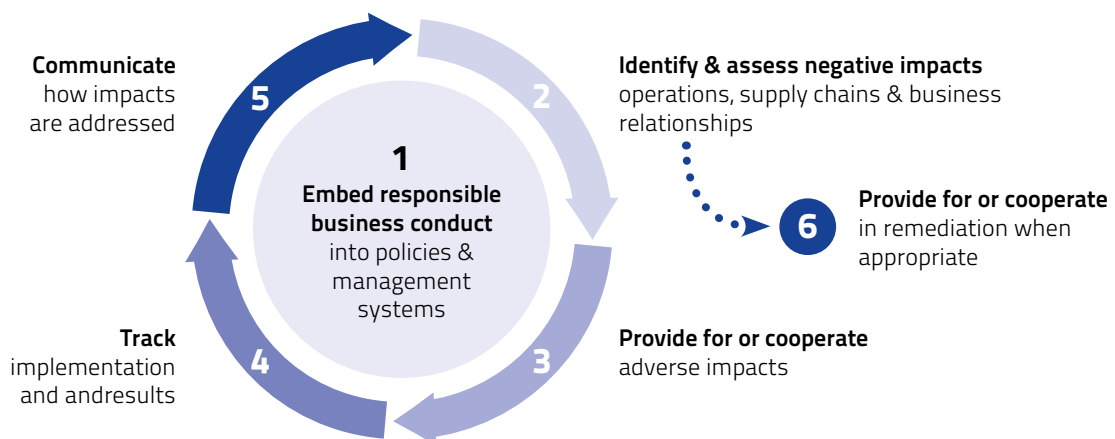
2.1 Company policy

This section describes the extent to which human rights due diligence is implemented in company programmes and related measures, including in the areas of risk analysis, grievance and remedy, transparency and traceability, and sustainable purchasing practices.

2.1.1 Human rights due diligence in company policy

The OECD Guidance and the UN Guiding Principles on Business and Human Rights have emerged as important frames of reference for due diligence. To this end, the OECD Guidance provides a process that companies must use to determine actual and potential negative impacts arising from their business activities, supply chains and other business relationships, and provides measures to prevent and mitigate against them and be accountable for them. Figure 1 shows the different steps of this process in the form of a diagram.

Figure 1: *Due diligence processes and supporting measures* (source: OECD Due Diligence Guidance for Responsible Business Conduct, p. 21)



Presentation of the results: The embedding of **responsible business conduct within company policy and thus the highest levels of management (policies and management systems)** is the first major step in the process of human rights due diligence (see Fig. 1). All four companies that responded to the questionnaire have a human rights due diligence and corporate responsibility strategy in place. However, only two of the companies (Otto Group and Zalando) have released a public human rights due diligence statement. In this statement, they refer to existing frameworks such as the UN Guiding Principles on Business and Human Rights or the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. Görtz states

that it is currently developing a roadmap with important steps and milestones towards a more sustainable and socially equitable company, in accordance with these requirements. According to the company, it is revising its policy statement. Detailed information on what this policy statement will look like is not yet available.

All of the companies (including Görtz) have a code of conduct that is publicly accessible and includes compliance with ILO labour standards and conventions, especially the core labour standards. The stipulations of the codes of conduct relate to freedom of association and collective bargaining, health and safety at work and non-discrimination. Zalando is the only company to specify social protection measures such as maternity leave, while the Otto Group makes a commitment to transparency and traceability. Legero and About You state that they have integrated living wages into their codes of conduct, but a closer look at these documents reveals that living wages are not currently mandatory, and “fair” or “covering basic needs” do not actually cover the essential elements of a living wage.⁴ About You, Otto Group and Zalando have guidelines for outsourcing and homeworking (see homeworking in Chapter 2.2.4). Legero states that it does not require guidelines for homeworking because their types of shoes are impossible to produce from home, as are raw materials such as leathers or textiles, and metal buckles or zips.

The second step in the due diligence process is **identifying and assessing adverse impacts and existing risks in business conduct**. This is to be done through risk analysis. According to the OECD, this is a process for determining general areas with significant risks in all of a company’s own operations and in its business relationships (including all stages of the supply or value chain). All four companies carry out regular risk analysis with regard to environmental impact and human rights at work. This risk analysis was not presented, so no direct comparisons could be drawn, but the answers show that they vary greatly in terms of depth and specificity. Legero states that it outsources this process and has applied the Higg Index, a self-assessment standard.⁵ Within the Otto Group, analysis includes multi-stage processes guided by the corporate responsibility (CR) strategy of the group. In addition, focal points are set for the individual CR strategies of the individual group companies.⁶ Joint risk analysis is carried out accordingly and supplemented by further analysis by certain group companies. Zalando states that it carries out its risk analysis with the help of external consulting firms. This is based on the UN Guiding Principles on Business and Human Rights and the results are reflected in adapted and improved codes of conduct and ethical standards for procurement and social policy. Only About You conducts risk analysis exclusively in-house, as desktop research.⁷ Görtz reports that it has carried out risk analysis and is setting up a risk monitoring system to improve working conditions at suppliers’ places of business.

According to the information provided by all of the companies, risk analysis does not cover the entire supply chain or tanneries, as recommended by the OECD, nor does it include subcontractors and homeworkers. The Otto Group and About You state that they take the broader supply chain and subcontractors into account when analysing risks. The details of this are not known, particularly with regard to the leather product group. However, since the shoe and leather goods product groups harbour serious risks, particularly in leather production and thus in the lower part of the supply chain, the entire supply chain must be taken into account.

The third step in the due diligence approach (Figure 1, Step 3) is the implementation of the chosen strategy in plans and programmes **to cease, prevent or mitigate adverse impacts**. According to their own

4 A living wage is an earned income sufficient for workers to support themselves and their families, pay rent, pay for healthcare, clothing, transport and education, and put some money aside for unexpected events. A living wage should be understood as the basic wage paid for a regular working week, regardless of overtime or bonuses. This regular working week should never exceed 48 working hours. <https://www.inkota.de/themen/kleidung-schuhe/kleidung/naeherinnen-verdienen-mehr>

5 Higg Index, see Table 7, p. 32 for explanations.

6 The Otto Group is a global trading and service group comprising various group companies including Otto, Bonprix and Witt-Gruppe. More information: <https://www.ottogroup.com/de/ueber-uns/konzernfirmen.php>

7 The information on risk analysis provided here reflects the position at the time when the data was collected (August 2021/December 2021). About You intends to issue an extensive report on its risk analysis on 31 May 2022.

statements, all four companies have established strategies that include goals and measures for minimising risks. The Otto Group and Zalando have published detailed milestones of their test cycles, while Legero derives its measures directly from its risk analysis. About You's strategy was still being agreed at the time the data was collected.⁸ Görtz states that preventive and remedial measures are being determined and will be put into effect in the next stage of the process. Information on measures taken by the companies is presented in Chapter 2.2, Labour and human rights in the supply chain. Employees and trade unions have very little involvement in the development, planning and implementation of these measures. Only the Otto Group claims to involve them, while Legero refers to its membership of cads⁹ in this context. Zalando and About You do not involve employees or trade unions.

According to the answers to the questionnaire, the **tracking of implementation and results** – the fourth step in the due diligence process (see Figure 1, Step 4) – is implemented at Legero, the Otto Group and Zalando by regularly checking the effects of the measures put in place. The impact analysis or detailed method are not known. According to About You, it does not carry out an impact analysis. Four companies regularly check their suppliers for compliance with labour and human rights. Legero has half of its shoes produced in its own factories, which are audited by external consultants using a workplace conditions assessment (WCA). Legero also states that 90% of its tanneries (subcontractors) are selected according to the best standards (gold and silver) of the Leather Working Group (LWG).¹⁰ The Otto Group and Zalando only include Tier 1 in audits; About You states that they also include Tier 2 in some cases. Görtz states that it conducts spot checks of its suppliers with on-site visits. The company intends to establish an auditing system in future. When it comes to the question of which measures are implemented on the basis of the audit results, the Otto Group and Zalando refer to auditing systems that check the standards of company initiatives. The results of these are not accessible to the general public, and there is also a lack of information about the implementation of recommendations generated by the respective audits.¹¹ The Otto Group and Zalando have internal procedural rules that can have a positive effect on correcting violations, but can also have adverse impacts of their own. About You only provides general information, while Legero calls on suppliers to 'raise the level of the audit'. None of the companies make their audit results freely accessible to the public. The Otto Group points out that members of amfori BSCI¹² can view the results of their audits. The Otto Group also notes that the results

of supplier audits are regularly published as part of the Bangladesh Accord.¹³ It should be noted here that the Bangladesh Accord does not include tanneries and shoe factories. Legero refers to the Leather Working Group (LWG), which publishes audit results on its website. (Note: LWG does not carry out social audits, but suggests other, supplementary audit systems).¹⁴

Notes: Both the OECD Guidance and the UN Guiding Principles stress that the entire supply chain must be considered when implementing due diligence. This is particularly relevant for the leather goods and shoes product groups, as risks to human rights and the environment occur more frequently lower down the supply chain. In their analysis, the companies surveyed focus on the first supplier level (Tier 1) and rely on standards or industry initiatives and their audit systems to track and implement due diligence. It

8 About You states that it will issue a publicly accessible report on its strategy by 31 May 2022.

9 Cads – cooperation for assuring defined standards for shoe- and leather goods production e.V. ; see Table 7, p. 32 for explanations.

10 Leather Working Group (LWG), see Table 7, p. 32 for explanations.

11 BSCI, SA 8000 and SMETA Audit were named as examples.

12 Amfori BSCI, see Table 7, p. 32 for explanations.

13 Bangladesh Accord on Fire and Building Safety, often referred to as the Bangladesh Accord; see Table 7, p. 32 for explanations.

14 Leather Working Group (LWG), see Table 7, p. 32 for explanations.

is difficult to gain direct insight into gaps in implementation and opportunities for cooperation in order to tackle solutions or prevent damage. This makes it all the more important to have a functioning grievance system that allows people (employees, local communities and organisations) who are affected by adverse impacts and risks to contact the company directly. Audits and certifications can be supplementary tools for a company's own management system for environmental, human rights or climate protection issues, but they cannot replace effective mechanisms for handling complaints and implementing remedial action. In addition, **grievance mechanisms** that conform to the OECD Guidance and UN Guiding Principles are an important tool for obtaining feedback on the effectiveness of a company's own processes. As such, they provide an important preventive function if they are used as part of the risk analysis, and form the basis for a functioning risk management system.¹⁵ According to the UN Guiding Principles, the OECD Due Diligence Guidance and the German Supply Chain Due Diligence Act, companies are required to implement effective grievance mechanisms for those affected by potentially adverse social and environmental impacts, and to ensure remedial action where necessary. According to the UN Guiding Principles, the effectiveness of grievance mechanisms is defined using the following criteria: legitimacy, accessibility, predictability, equitability, transparency, rights-compatibility, source of continuous learning and based on engagement and dialogue.¹⁶

Presentation of the results regarding grievance mechanisms and remedy: According to their own statements, three companies have grievance and remedy mechanisms that also enable workers to report violations of their rights directly, making use of arbitration boards or mechanisms. Legero has set up feedback boxes for grievances in its production facilities. According to the company, few complaints are made to the designated factory representatives via this channel; instead it is used for suggestions for improvements. Elected factory representatives are responsible for collating suggestions, which are then coordinated with management. Legero has limited its grievance and remediation system to its own manufacturing facilities.

The Otto Group has its own whistleblowing system and is also taking part in a pilot project on amfori BSCI grievance mechanisms in Vietnam. It uses the system set out in the Bangladesh Accord¹⁷, although this does not include shoe factories and tanneries. The digital whistleblowing system can be accessed on a subpage in the compliance area of the Otto Group website, and contact information for an ombudsman is also provided. The relevant departments are involved in the monitoring and recording of cases and complaints, while an internal compliance committee oversees these processes. The website states that "Every piece of information fed in here is checked over several stages by qualified experts."¹⁸

Zalando has set up a grievance system (whistleblowing tool) that can be accessed on its website (under compliance) and used to contact the Compliance & Business Ethics team. Incoming complaints are clustered through the use of the queries. The digital whistleblowing system receives information both from employees and external parties about compliance violations. These are treated confidentially and

15 Partnership for Sustainable Textiles (2018): Zugang zu Abhilfe- und Beschwerdemechanismen sichern und fördern Sorgfaltspflichten verstehen und umsetzen. <https://www.textilbuendnis.com/download/infopapier-beschwerde-und-abhilfemechanismen-2018/?wpdmdl=38574&nd=1627997795829>

16 Explanations of the effectiveness criteria for non-judicial grievance mechanisms can be found on pages 33-4 of the UN Guiding Principles. https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

17 The Bangladesh Accord expired in 2021. Its successor agreement, the International Accord for Health and Safety in the Textile and Garment Industry, came into force on 1 September 2021. This 26-month legally binding agreement includes an extension to other countries besides Bangladesh. So far, 174 companies (as of 5 May 2022) have signed the agreement, including the Otto Group. More information: <https://internationalaccord.org>

18 <https://www.bkms-system.com/bkwebanon/report/clientInfo?cin=fzD4ND&c=-1&language=ger>

can be submitted anonymously. In addition to the whistleblowing tool, third-party reports can be submitted in person, by telephone, by email or by post. In its code of conduct, Zalando also states that “each business partner should provide effective mechanisms that enable individuals to report any grievances in a safe and/or anonymous way. Once a complaint is raised, business partners must guarantee that they will follow up on respective reports in a solution-oriented manner.”¹⁹

About You states that it has a whistleblowing system in place, as set out in its business code of conduct.²⁰ Görtz has not yet established a grievance mechanism, but is looking for a solution.

According to the questionnaires answered, both Legero and Zalando guarantee the protection of workers who express a grievance, but without giving any further information. The Zalando website says, “Protecting the whistleblower is a basic principle of our whistleblowing management.”²¹ On the website for its whistleblowing tool, the Otto Group also states, “Our digital whistleblowing portal is a secure and protected reporting channel for all employees and external stakeholders. The platform can be used anonymously and thus guarantees the highest level of protection for whistleblowers and sensitive data.”²²

None of the companies provide transparent information on remedial measures and/or consequences or the nature and scope of any grievances settled. Not all of the companies surveyed include trade unions and/or employee interest groups in their grievance procedure; only Legero states that these bodies are involved. At the Otto Group, involvement is decided on a case-by-case basis.

The Otto Group is the only company to state that it sets out its grievance options in training courses, letters to suppliers and other information material. The Bangladesh Accord is mentioned as an example of a useful system in which workers are informed about their grievance options. The fact that all grievances received by the Otto Group over the last two years have come exclusively via the Bangladesh Accord is an important indication of how vital it is to communicate about this existing option or mechanism. Based on the completed questionnaires, supplementary interviews and company reports, it is evident that very few complaints are received. This could be an indication that the criteria for effective grievance mechanisms laid down in the UN Guiding Principles have not yet been sufficiently integrated into existing systems. The Otto Group received a total of 17 complaints in the 2019/20 and 2020/21 financial years. Zalando does not provide any figures and states that various were reported from different sections of the supply chain (including labour law violations, bullying and harassment). Zalando stresses that it is “conscious of the complexity of introducing an effective and easily accessible grievance and whistleblowing system. We regularly evaluate opportunities for improvement and are in discussions with several partners in relation to this industry-wide effort.” One common conclusion arising from our in-depth talks with companies is that an easily accessible and effective grievances and whistleblowing system represents a complex challenge and that existing approaches require further development. At the same time, such a system is recognised as a relevant set of tools for identifying and keeping track of issues in the sustainability strategy.

Public reporting and **communication about how impacts are addressed** is the fifth step in the human rights due diligence process (see Figure 1, step 5). To date, only two companies issue public reports on the

19 Zalando Code of Conduct, p. 38: https://corporate.zalando.com/sites/default/files/media-download/Zalando-SE_Code-of-conduct_2021.pdf

20 Since early 2022, About You has also set up a subpage on its corporate website to make the system more accessible: <https://corporate.aboutyou.de/de/compliance/whistleblowing>

21 <https://www.whistleblowing-zalando.de/About/TermsAndConditions.aspx>

22 <https://www.bkms-system.com/bkwebanon/report/clientInfo?cin=fzD4ND&c=-1&language=ger>

implementation of human rights due diligence and the due diligence steps outlined in this chapter. In principle, the Otto Group meets its reporting requirements through its annual business report, as does Zalando through its annual Sustainability Progress Report. Besides its annual business report, About You plans to publish a separate ESG²³ report for 2021/2022 (About You's financial year runs from the beginning of March to the end of February). In an interview, Legero stated that it is drawing up a sustainability report that will be published in the first half of 2022. Increased reporting obligations were the subject of all the one-to-one discussions relating to the business survey.

Notes: Based on the available information, it can be concluded that the companies that entered into dialogue with us are in the process of adapting their corporate strategy with regard to due diligence and beginning to implement a human rights due diligence process in their operations and supply chains. It must be stated that the process has been implemented differently in each case. As the companies did not submit any further supporting documents apart from answering the survey or as part of the discussions, only limited assessments can be made. Publicly available documents and the audit system specified by Legero were taken into account.

The UN Guiding Principles Reporting Framework – the reporting framework for the UN Guiding Principles on Business and Human Rights – contains a number of implementation guidelines.²⁴ These explain how a company can verify whether its measures to reduce serious human rights risks work in practice, as a prerequisite for reporting. The focus is on processes and indicators that the company can use to measure performance. Of particular relevance are methods that are not just limited to determining whether the company has taken certain measures, but also allow conclusions to be drawn as to whether the measures taken have prevented or reduced potentially adverse impacts on human rights, or whether the measures have made it possible to make amends if adverse impacts occur. Information about how the company monitors its own progress is especially important in showing that the company is continually striving to improve its human rights due diligence and assessment.

The OECD Guidance also specifies criteria for impact-oriented reporting. It calls on companies to use verification, monitoring and validation to ensure that their measures lead to the avoidance or reduction of harm. In this context, validation centres around whether and to what extent the measures implemented have effectively led to the avoidance of adverse impacts. Corporate due diligence and related reporting formats are not an end in themselves – it is crucial that these measures should be comprehensible, verifiable and publicly accessible. In the light of this, a need for action has been identified in the following areas:

The **risk analysis** conducted by companies should not be limited to the first suppliers (Tier 1). When determining and evaluating the adverse impacts of business operations, companies must take the entire supply chain into account, because manufacturing in upstream production (Tier 2 and the lower supply chain) entails particularly high risks for people and the environment. The leather and shoe manufacturing sector also comprises specific risks associated with the handling of hazardous chemicals, occupational health and safety, formal cover and social security, remuneration and a living wage, and discrimination. These risks must be minimised and remedied via a range of efforts, including making changes to purchasing practices both by trading companies or buyers and by manufacturers and producers.

23 ESG stands for environmental, social and governance. Information on the areas of environment, social issues and corporate governance is recorded and disclosed in an ESG report.

24 https://www.ungpreporting.org/wp-content/uploads/UNGPRReportingFramework_withguidance2017.pdf

All companies rely on **audits** and certification procedures to check their suppliers on a regular basis, either in reference to the company's own code of conduct or through sector or industry standards. In order to comply with human rights due diligence in the supply chain, however, certification and testing systems and audits alone are not enough to eliminate the risks. At best, due diligence-compliant audits help to uncover risks and issues. Far more important are processes that the company can use to determine how successful it is at solving salient human rights issues. Building on this, further processes need to be developed in order to assess the company's success in resolving serious human rights issues. This also means that the underlying methodology must be checked regularly to ensure it remains a reliable means of identifying existing shortcomings with the help of certification systems and audits. Having the checks carried out by independent third parties with the appropriate expertise and competence is essential. In the context of the German Supply Chain Due Diligence Act, there is a particular need for action on the part of politicians with regard to the accreditation and liability of certification and auditing companies, because certification and standards require a legal framework. The standards and certifications that are currently in use have too many weaknesses and need to be improved before they can be used as part of official implementation. This has been confirmed by a study and legal opinion by the Federation of German Consumer Organisations.²⁵ Standards and certifications need to be objectively suitable in order to provide meaningful insights, especially in terms of consumer protection. In the discussions, the exclusively audit-based approach was seen as insufficient, as all too often it did not pick up on issues such as violations of the rules or the code of conduct. There is also a lack of transparency towards the public, as the information is not made accessible. Moreover, audits only represent a snapshot that does not sufficiently incorporate the perspective of the workers.²⁶ The participation of the rights holders or those affected is of the utmost importance, so a system for grievances and remedy in accordance with the OECD Guidance and UN Guiding Principles is a vital tool for risk analysis and management. At an operational level, grievance mechanisms can provide important feedback from those directly affected about the actual exercising of human rights due diligence by the enterprise (see UN Guiding Principle 29).

Based on the number of complaints received, the existing grievance mechanisms appear to be hardly used by workers. For a system to be used and to prove effective, there needs to be active communication about the grievance mechanism that can reach all stakeholders in the supply chain in an appropriate way. This includes making workers aware of the mechanism and encouraging them to use it. This is a prerequisite, especially with regard to the effectiveness criterion of accessibility, but so far it seems to have been implemented to an insufficient degree. There is very little, if any, reporting on grievances and remedy. Improvement is required here, not least in order to address the effectiveness criterion of transparency. All companies stressed that the area of grievances and remedy represents a major challenge. Together for Decent Leather agrees with this finding, especially when applying the effectiveness criteria of the UN Guiding Principles. At present, there is no integrated system for grievances and remedy that meets the requirements.²⁷

25 <https://www.vzbv.de/publikationen/nachhaltigkeit-verlaesslich-zertifizieren>

26 Kampagne für Saubere Kleidung (2019): Sozialaudits – Wie sie Unternehmen schützen und Arbeiter*innen im Stich lassen. <https://webshop.inkota.de/file/1978/download?token=40ImF5jX>

27 The following publications provide detailed information on effective systems for grievances and remedy: INKOTA (2022): Ein effektives System für Beschwerde und Abhilfe innerhalb transnationaler Lieferketten - Fokus: Leder, Lederprodukte und Schuhe. Gläßer, Pfeiffer, Schmitz, Bond (2021): Außergerichtliche Beschwerdemechanismen entlang globaler Lieferketten – Empfehlungen für die Institutionalisierung, Implementierung und Verfahrensgestaltung. https://www.bmj.de/DE/Themen/Menschenrechte/Wirtschaft_und_Menschenrechte/Forschungsbericht_Aussergerichtliche_Beschwerdemechanismen.pdf?blob=publicationFile&v=2

In contrast to the “integrated grievance systems” approach, rights holders, trade unions, employee interest groups and local NGOs are not sufficiently included in the instruments used by companies, either in risk analysis and the development, planning and implementation of measures to eliminate, avoid or mitigate risks, or in grievance procedures. The rights holders are not involved in all of the processes described, or only involved occasionally. However, the OECD Guidance sees this involvement as essential: „ Stakeholders should be involved [...] in the following due diligence processes: On-site supplier assessments, development of corrective action plans, verification, validation and monitoring of impacts, design of operational-level grievance mechanisms.”²⁸

2.1.2 Transparency and traceability

Transparency of supply chains is a fundamental prerequisite for implementing corporate due diligence. Companies cannot take measures to minimise and eliminate social and ecological risks in their supply chains unless they know where, how and by whom their products are manufactured.

Presentation of the results: Not all companies are able or willing to provide information about where their leather products and the leather used in them are produced (see tables 3 and 4).

Table 3: *Where were the leather goods (shoes, leather garments or accessories) produced?*

	Asia			Europe			Other
	Percentage of total production	Number of suppliers	Countries	Percentage of total production	Number of suppliers	Countries	
Legero	65%	6	Own production facilities in India; partners in India, Vietnam and Indonesia	35%	5	Own production facilities in Romania and Hungary; partners in Hungary, Bosnia and Spain	—
Zalando	73%	No information	India, Bangladesh, Vietnam, China, Cambodia	27%	No information	Portugal, Spain, Romania, Italy	—
About You	No information	16	Zhejiang, Uttar Pradesh, Lahore, Inner Mongolia, Hangzhou, Guangdong	No information	7	Porto, Cluj, Braga, Aveiro	—
Otto Group	Leather makes up only a very small proportion of our materials used and is only relevant in a few of our product groups (e.g. shoes); these product groups represent only a tiny fraction of our range. As such, we do not have any detailed information on this. In the Witt Group, for instance, 0.03% of the materials used are leather; this leather comes from Germany, Portugal and Belgium.						
Görtz	The company's own-brand leather products are predominantly manufactured in India and Bangladesh. A significant proportion of its goods are also produced in European countries.						

28 OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector, p. 27. <https://www.oecd-ilibrary.org/docserver/9789264290587-en.pdf?expires=1679654060&id=id&accname=guest&checksum=0A77FB4245AEFE0A68D52467CBAD8828>

Table 4: *Where is the leather that is used in the leather goods produced (including tanneries, dyeworks, etc.)*

	Asia			Europe			Other
	Percentage of total production	Number of suppliers	Countries	Percentage of total production	Number of suppliers	Countries	
Legero	65%	6	India, Vietnam	35%		Italy, Europe	—
Zalando	We are gradually publishing a list of our sourcing partners and their factories.						
About You	No transparency at present						
Otto Group	No information						
Görtz	No information						

Only two companies (Otto Group and Zalando) have published an extensive list of suppliers on their websites. However, the Otto Group’s list is comprised solely of factories from high-risk countries (according to amfori BSCI). In its list, Zalando publishes its Tier 1 sourcing partners and active factories for its own brands, and has also started to publish a list of factories for Tier 2 suppliers. This includes manufacturers of final materials and leather tanneries for shoes and accessories. At the time of data collection, About You did not have a public list of suppliers. In January/February 2022 About You published a list that includes Tier 1 in full and Tier 2 in part. Legero and Görtz have not published a list of suppliers and subcontractors.

All four companies state that they issue a sustainability report. While this is an established practice for the Otto Group, Zalando and About You – in some cases going back several years – Legero is in the process of preparing a sustainability report and has announced that this will be published for the first time in 2022. The Otto Group has integrated a sustainability report into its annual business report since 2016/17. Legero intends to publish its sustainability report in accordance with the GRI reporting format²⁹, and Zalando has already done so. Zalando has integrated human rights due diligence into its own management cycle, which is based on the OECD Guidance and the UN Guiding Principles. In its sustainability report, the Otto Group devotes a special chapter to respect for human rights. In About You’s report, human rights are only addressed in the stakeholder analysis.³⁰ However, no reference to the OECD Guidance is given for either of them. Görtz has not yet published a sustainability report, but plans to do so in 2022.

All of the companies are participating in multi-stakeholder initiatives (MSIs) or sustainability initiatives.³¹ In its 2020/21 business report, the Otto Group lists 20 initiatives and alliances, including the SAC (Sustainable Apparel Coalition), FSC (Forest Stewardship Council), Grüner Knopf (Green Button), Accord on Fire and Building Safety in Bangladesh, Partnership for Sustainable Textiles and amfori BSCI. About You is involved in the SAC (Sustainable Apparel Coalition), amfori BSCI and the LWG (Leather Working Group). Zalando declares its involvement in ACT (ACT on Living Wages) and ILO Better Work, and is also a member of the SAC (Sustainable Apparel Coalition) and RE100. Legero is a member of cads and conducts

29 GRI standards are guidelines developed by the Global Reporting Initiative (GRI) for preparing sustainability reports.

30 The About You information reflects the company’s status at the time of data collection in 2021. About You intends to publish more information on 31 May 2022.

31 Table 7 on p. 32 provides explanations for selected named multi-stakeholder initiatives and sustainability initiatives.

self-assessment using the Higg Index (SAC Higg Facility Tools) and the SBTi (Science-Based Target initiative). The company stipulates that its suppliers must be rated gold or silver by the LWG (Leather Working Group). Görtz mentions that it is a member of cad.s. While most of the MSIs and sustainability initiatives quoted by the Otto Group, Zalando and About You are focused on textiles, leather processing company and shoe manufacturer Lezero notably takes part in only a few initiatives, although these are particularly pertinent to the product segment. There appear to be few programmes and initiatives focused specifically on the supply chain for leather, leather goods and shoe manufacturing, as has been established in previous studies by the Change Your Shoes initiative.³²

Notes: Two of the five companies were shown to be working on transparency in the supply chain, although so far they have almost exclusively addressed the first level of the supply chain (Tier 1). Transparency across the supply chain is considered a basic prerequisite for being able to implement human rights due diligence within a company. Not all of the companies surveyed were able to provide information about where and under what conditions their leather products and processed leather are produced. The publicly available reports issued by the companies and the standards used contain little in the way of meaningful information about the production method and origin of leather, its processing or sales routes. The traceability and transparency of products in the supply chain therefore require improvement in terms of good information and holistic risk management.

The listed multi-stakeholder initiatives (MSIs) and sustainability initiatives with certification or assessment systems are usually exclusively business-to-business (B2B) systems and come mainly from the textile sector. When it comes to leather clothing and accessories, technical and material quality-oriented systems predominate; these incorporate few, if any, aspects of human rights. None of the systems specified are currently compliant with the OECD due diligence approach.

2.1.3 Sustainable purchasing practices

Sustainable purchasing practices have a direct impact on the implementation of due diligence, compliance with labour laws and environmental standards, and thus on avoiding and minimising existing risks. Cooperative collaboration between purchasing companies and suppliers is crucial, not least because it improves the resilience of the supply chain and the rights of employees. To that end, the 2022 OECD Forum focused on the Common Framework for Responsible Purchasing Practices.³³ The framework provides companies and multi-stakeholder initiatives with guidance on how to improve purchasing practices based on five principles, along with recommendations for responsible purchasing practices and effective and partnership-based cooperation. This context provides the background to this survey and the evaluation of the answers.

32 The report "Gute Güte - Gütezeichen, Multi-Stakeholder- und Sektorinitiativen in der Schuh- und Lederproduktion" [Good quality: marks of quality and multi-stakeholder and sector initiatives in the shoe and leather manufacturing industry] provides a summary of labels, certifications, MSIs and industry initiatives in the shoe and leather sector, how meaningful they are and the social and environmental shortcomings that remain: <https://webshop.inkota.de/node/1576> Together for Decent Leather is currently conducting an updated assessment of selected initiatives and labels.

33 The Common Framework for Responsible Purchasing Practices was developed by the Partnership for Sustainable Textiles, the Ethical Trading Initiative, Ethical Trade Norway and the Fair Wear Foundation. The framework provides guidance for companies and multi-stakeholder initiatives by setting out a pathway for improving purchasing practices based on five principles, and making associated recommendations for responsible purchasing practices and effective partnership-based cooperation. The framework adopts recommendations and guidelines from the initiatives ACT (Action Collaboration Transformation), Better Work, the Better Buying Institute and amfori, plus the Sustainable Terms of Trade Initiative (STTI). <https://www.theindustrywewant.com/spotlight-cfrpp>

Presentation of the results: Three of the companies surveyed (Otto Group, Zalando and Legero) state that they have guidelines for sustainable purchasing practices, although the Otto Group did not make its guidelines publicly available. Zalando's [guidelines](#) do not relate to the company's own purchasing practices, but set out the minimum requirements for business partners. Legero's guidelines focus primarily on material quality. In addition to existing guidelines for purchasing practices, analysis of the impacts of purchasing practices on sustainability, human rights at work and environmental standards is crucial to understanding the effects of a company's business activities and adapting them if necessary. Legero has begun producing annual impact analyses, with the first results expected in 2022. The Otto Group states that it only implements such analysis to a limited extent, by taking part in better buying surveys. Zalando and About You state that they carry out impact analysis. About You did not give any further information. Zalando reports that as a part of the European Clothing Action Plan, the company is reducing the CO₂, water and waste footprint of its clothing using "science-based targets".

In order to consolidate their own supply chain and make it more resilient, the companies surveyed rely primarily on cooperation with key suppliers and strategic partners and, in the case of Legero, on production in their own plants. To date, only two companies (Legero and Otto Group) have committed to long-term business relationships with suppliers. Görtz claims to have a stable portfolio of suppliers, most of which are based on long-term contractual relationships. There is also an emphasis on the importance of working with suppliers towards socially more equitable and less polluting manufacture and production, and the crucial involvement of local structures and partners. Legero states that it will implement capacity building with long-standing partners. So far, none of the companies have trained suppliers on the requirements of human rights due diligence, and suppliers have not been asked what support they need to comply with labour and human rights standards. Zalando alludes to a fundamental reform of its requirements system, which should include capacity building programmes for suppliers from 2022.

There is a wide array of criteria for selecting production countries, locations and suppliers, with good governance cited by all of the companies. Legero, for instance, uses lists of criteria with minimum requirements for suppliers and on-site pre-audits that check not only quality standards and technology, but also aspects such as working conditions, certificates (including CSR) and awareness of environmental problems. The Otto Group states that risk analysis at a country level provides the basis for placing an order. On questions relating to the importance of freedom of association, the right to collective bargaining, healthy and safe workplaces and living wages as these relate to their listing of suppliers and awarding of contracts, the companies responded as follows: Legero points out that its production partners are obliged to comply with the company's code of conduct, in which these issues are core elements and form the basis for working with partners. At the Otto Group, collaboration with new production sites is based on previous social audits. Serious violations rule out collaboration and preclude new factories from being accepted. Grievances in existing factories must be remedied before orders can be placed again. These findings are included in the supplier evaluation and have a corresponding impact on the awarding of orders. Zalando states that it has set out these human rights in its code of conduct and sees them as an absolute prerequisite for business relationships. About You is currently conducting internal discussions on the introduction of supplier scorecards.

When selecting suppliers, sound legal protection for employees is to be achieved through a range of efforts. Legero is committed to working with long-standing suppliers who are verified as complying with the standards in the company's code of conduct. For Zalando, a fundamental prerequisite for a business relationship is that there are no violations of the company's code of conduct and that all of the in-depth

requirements for labour, human rights and the safety of production facilities are observed. This is checked via social audits. In terms of sustainability, About You considers the legal protection of employees to be very important when selecting suppliers and is keen to get internal stakeholders interested in the topic.

Information from grievance and remedy mechanisms has a bearing on the purchasing practices of three surveyed companies. For example, no new orders are placed by the Otto Group until grievances have been resolved. A lack of willingness to cooperate on the part of suppliers can lead to the termination of the business relationship (Otto Group). Likewise, Zalando reports that if a supplier does not implement credible and timely measures with the involvement of an authentic third party, it will not be considered for any future orders. This shows the importance of functioning grievance mechanisms, although, as explained above, these do not seem to be effective in any of the companies, nor do they operate in accordance with the UN Guiding Principles.

Resilient supply chains and responsible purchasing practices were especially crucial during the COVID-19 pandemic in mitigating the impacts of the pandemic on suppliers and workers. Various studies³⁴ show that workers were severely affected by the pandemic. Three companies state that the pandemic affected purchasing behaviour (Legero, Otto Group and Zalando). The Partnership for Sustainable Textiles has drawn up [Guidelines for responsible purchasing practices during the Covid-19 pandemic](#). These include recommendations for dealing with orders and associated payments, for example ensuring that orders that have already been completed are not cancelled and that the agreed payment terms are observed. According to their own statements, the companies surveyed did not delay payments or cancel orders. In particular, Legero stresses that delays in paying supplier invoices were not permitted and that all ordered goods were paid for. Zalando also stated that suppliers continued to be paid in accordance with the general terms and conditions, and, in line with ACT's agreed purchasing practices, abided by their purchasing commitments. Orders that were already being processed were not cancelled and changes to orders were coordinated with the respective suppliers. Specific measures were also taken to stabilise the supply chain, including assisting Asian suppliers with material shipments from Europe (Legero), coming up with easier payment terms for production facilities that were experiencing difficulties, and establishing more generous lead times for production and longer delivery times (Zalando). The Otto Group mentions targeted discussion and individual conversations with supplier companies and the importance of demonstrating an understanding of potential delays, so that no sanctions would need to be imposed. According to information provided by the companies, orders for goods that had already been manufactured were not cancelled, while orders for goods that had not yet been manufactured were only cancelled in rare cases. About You also mentions stepping up communication with suppliers to establish processes in response to the crisis. At peak times, this led to weekly meetings about the situation in the factory and among the employees. The company states that it did not cancel any orders and ensured that orders could be fulfilled in accordance with social due diligence guidelines. A limited number of production delays forced About You to switch its shipping method to express delivery so that products could be delivered to customers on time. The example of About You shows that online retailers have benefited from the Covid-19 crisis and were able to increase their sales. The company also attributes stronger growth and increased orders to these changes in purchasing behaviour.

34 SOMO, INKOTA, Südwind (2022): Corona-Chroniken: <https://webshop.inkota.de/file/2223/download?token=roojrT04>; INKOTA, Südwind-Institut (2021): Wenn aus zu wenig fast nichts wird. <https://webshop.inkota.de/file/2223/download?token=roojrT04>; INKOTA, Femnet, Südwind-Institut (2020): Synthesebericht: Auswirkungen von COVID-19 auf die Textilindustrie. <https://webshop.inkota.de/file/2097/download?token=J8U0eWLU>

Notes: Analysis of the information provided reveals various approaches related to sustainable purchasing practices in specific aspects of the respective codes of conduct. None of the companies use a comprehensive framework for responsible and sustainable purchasing practices. Analysis of the impact of existing purchasing practices appears to be fragmentary, while strategies for implementing sustainable purchasing practices do not yet exist.

Companies see their own codes of conduct as part of their contracts with business partners. However, studies and individual cases of violations of labour rights or structural shortcomings make it clear that there is little enforcement of the formal requirements, meaning that their effectiveness is limited. As a result, in addition to a policy that conforms to the duty of care, there is a need for comprehensive processes to implement human rights due diligence, including thorough changes in purchasing practices. Analysis of the impact of the company's own purchasing practices on sustainability, human rights at work and environmental standards is crucial, particularly when it comes to determining risks within the framework of human rights due diligence. The basic premise for this is transparency about the supply chain and the processes associated with purchasing practices, which provides insight into the impacts of the company's own business activities and allows for the necessary adjustments to be made. This is where training and capacity building come into play. So far, the companies surveyed have only deployed measures such as capacity-building for suppliers to a limited extent. Sufficient information was not provided on whether and how exchange with business partners and the workforce of producers takes place in strategic terms. The question of whether conclusions from in-house analyses or risk assessments (conducted by the companies) are shared with their producers or business partners also remains unanswered. Are their needs recorded, and what conditions must they have in place in order to fulfil their due diligence obligations and ensure compliance with labour and human rights? Cooperation and fair, partnership-based business relationships are essential if this is to be achieved. Systematic capacity building, training on human rights due diligence requirements and binding commitments on the part of buyers and trading companies would also be necessary in order to achieve this, but there is currently no evidence of such measures.

2.2 Labour and human rights in supply chains

This section looks at the extent to which selected aspects of labour and human rights due diligence have already been put in place. These selected aspects relate to living wages, freedom of association and trade unions, and health and safety at work. The detailed questions posed to the companies about labour and human rights were intended to generate information about the extent to which the people who work in the supply chain are involved as right holders, able to assert their claims and actively engage with the implementation of due diligence. Responses were intended to provide information on whether and how the companies' internal policies and human rights due diligence policies (cf. 2.1 Company policy) are implemented in practice.

2.2.1 Living wages

Low wages are a key issue in the global leather, footwear and textile industries, and are considered a sectoral risk. The wages received by employees does not usually constitute a living wage, leading to precarious living conditions for many workers and their families. Access to social security systems is not

guaranteed and represents a structural problem. The Covid-19 pandemic provided a stark illustration of this structural issue and its causes.³⁵ It is therefore crucial that companies ensure that workers receive a living wage and are able to access social security systems. Living wages can be seen as a “hard” indicator of how seriously and consistently a company implements its duty of care, of which respecting and guaranteeing the right to a wage that provides a decent living for workers and their families is a crucial element. Information on this point should therefore be reflected in the company’s code of conduct, implementation strategy and any associated programmes/measures, price and wage policy, and purchasing practices.

Results: None of the companies include living wages as a mandatory criterion in their code of conduct. Although Legero and About You state that their codes of conduct specify wages that are “fair” or “cover basic needs”, this is not defined or formulated in detail. There is no living wage benchmark that refers to accepted approaches such as the Anker Methodology or the Asia Floor Wage. About You says: “Business partners observe this principle [fair remuneration] when they respect the right of the workers to receive fair remuneration that is sufficient to provide them with a decent living for themselves and their families [...]”. Legero states, “Income from work is based on comparable standards in the relevant country and must under no circumstances fall below the minimum wages applicable to the industry. The level of remuneration must ensure that basic needs are covered [...]”. The term “living wage” is not found in either of the two codes of conduct.

Only two companies (Otto Group, Zalando) record the level of wages paid by their suppliers. None of the companies systematically records the “wage gap” – the difference between the wage provided and a living wage. The Otto Group is the only company to record this difference in selected supplier companies. Not all of the companies surveyed have action plans for wages and working hours, in the context of sustainable purchasing practices or otherwise. At the Otto Group, this is addressed by the peer learning group on purchasing practices established by the Partnership for Sustainable Textiles. The Otto Group has been a member of the partnership’s Living Wage initiative since 2021. Zalando states that it is a member of ACT³⁶ and participates in the appropriate national action groups to promote living wages, along with the capacity-building initiative on living wages launched in 2021. By mid-2022, all employees employed in purchasing and supply chain management or on the Zalando management team and the management board will have received mandatory training on living wages. The company also plans to create an implementation strategy as part of a pilot project. Specific measures within the framework of ACT and the pilot project have not yet been presented. Legero is the only company to state that it uses concrete benchmarks for wages, cost calculation and price negotiations in purchasing policy and practice, and that it applies the concept of “open calculation and pricing”. According to the company, the latter includes transparency about the price breakdown of a product. Legero also states that it gives consideration to labour and overhead costs in Asia, based on local minimum wages, and changes in these when addressing the costing process. Currency fluctuations and their impact are also considered. Legero is currently considering joining the Fair Wear Foundation. At present, About You does not have any concrete plans or measures in relation to living wages, but mentions that internal coordination processes are currently ongoing in this area.

35 SOMO, INKOTA, Südwind (2022): Corona chronicles, <https://togetherfordecentleather.org/wp-content/uploads/2021/10/Corona-Chronicles.pdf>; INKOTA, Südwind-Institut (2021): Wenn aus zu wenig fast nichts wird. <https://webshop.inkota.de/file/2223/download?token=roojrT04>; INKOTA, Femnet, Südwind-Institut (2020): Synthesebericht: Auswirkungen von COVID-19 auf die Textilindustrie. <https://webshop.inkota.de/file/2097/download?token=j8UOeWLU>

36 ACT (ACT on Living Wages), see Table 7, p. 32 for explanations.

Notes: In recent decades, less progress has been seen on the matter of living wages than in any other aspect of the garment industry. The leather, leather goods and footwear sector is very similar in this regard. The information obtained by this survey makes it clear that there is an urgent need for action with regard to living wages. Although in some cases it is clear that the issue of the right to a living wage has come to the attention of certain companies, and that the need for action has been recognised, there has been little real effort to close the wage gap so far.

2.2.2 Freedom of association, collective bargaining and trade unions

Freedom of association, collective bargaining and the right to form trade unions are fundamental rights and ILO core labour standards that are key to the upholding of workers' rights. Among other things, trade unions campaign for better working conditions and higher wages, and make an important contribution to achieving good working conditions. However, trade union rights in countries producing leather and leather products are often undermined, and workers involved in unions face repression.

Presentation of the results: The measures taken by the companies surveyed to ensure freedom of association and collective bargaining are limited to the contractual partner's obligation to comply with the code of conduct, which in each case includes the right to freedom of association and collective bargaining. However, the companies surveyed do not have an overview of whether there are independent and freely elected trade unions, works councils or interest groups and valid collective agreements at direct suppliers, tanneries and subcontractors. When selecting new suppliers, none of the companies can confirm that the existence of a democratically elected, independent trade union or form of worker representation is a major criterion. The Otto Group refers to social audits (in line with amfori BSCI and SA8000). Zalando states that in countries where freedom of association and the right to collective bargaining are restricted by national legislation, business partners must promote the development of appropriate opportunities and structures for collective bargaining and employee organisations, and must not hinder them. None of the companies set out measures such as capacity building and training events involving employees or union representatives, aimed at supporting unions and collective bargaining, or the creation of such entities and initiatives. Only Zalando's code of conduct refers to measures intended to ensure that the concerns of workers are heard.

Notes: Overall, it is clear that companies still have a lot of room for improvement with regard to freedom of association, collective bargaining and trade unions as important aspects of human rights due diligence in supply chains. The companies rely on the obligations stated in their codes of conduct, which they expect their business partners to fulfil. Freedom of association has been addressed as part of past audits, but apart from that there are no concrete measures to ensure that freedom of association and collective bargaining are reinforced or implemented in supply chains. Rights holders are not involved in any significant way; indeed, if they have any involvement, it is only sporadic.

2.2.3 Environment, health and safety at work

Various chemicals are required for the production of leather, shoes and leather garments, which is why the leather industry is considered one of the dirtiest industries in the world. Health and safety precautions in factories are often inadequate, which poses a significant risk to people and the

environment in the leather manufacturing process. To that end, the survey asked about the handling of substances that are hazardous to the environment and human health. The question was intended to generate an indication of the extent to which occupational health and safety is already reflected in each company's human rights due diligence strategy. Various reports have covered the improper use of chemicals and the production of highly toxic hexavalent chromium during the chrome tanning process, which endangers the health of workers. The disposal of liquid and solid waste that could prove harmful to the local population and the environment is also documented.³⁷ Another potential hazard is residues of chemicals in end products, and recall campaigns by RAPEX (Rapid Exchange of Information System)³⁸ are undertaken for consumer protection in Europe, in an effort to ensure that consumers' health is not at risk. International employers and traders in leather products are responsible for protecting people and the environment in the manufacture of leather and leather goods.

Presentation of the results: The survey shows that all of the companies have embedded the issue of health and safety at work within their code of conduct. All four companies surveyed maintain a list of substances (restricted substances list/RSL or manufacturing restricted substances list/MRSL) that may not be used in the manufacture of leather. Legero applies its own, stricter, limit values for chrome-free tanned leather; the cads RSL applies to chrome-tanned leather and suppliers must comply with the environmental and safety standards of their own RSL and the chemical REACH requirements. The Otto Group requires compliance with the company's current manufacturing restricted substances list (MRSL)³⁹, as does Zalando.⁴⁰ About You uses an RSL and conducts tests on selected products to verify compliance. An MRSL was communicated to Tier 1 suppliers in late 2021. Related discussions with suppliers are to be stepped up.

Regular audits are carried out in production facilities to check that requirements are being met. Some leather products are subject to certification procedures, with the Leather Working Group (LWG) being named most frequently. At Legero, 90% of leather products are certified using the LWG, the Austrian Ecolabel or the Blue Angel label. At Zalando, 50.2% of the leather used to make shoes and accessories for the company's own brands was LWG-certified in 2020. The Otto Group and About You also use LWG certification, but they do not provide any information on the percentage of total production that reaches this standard. Legero and the Otto Group state that they conduct spot checks for compliance with the limit values for hexavalent chromium, which poses risks to health and the environment. Zalando points out that a testing team is running a programme to avoid the use of heavy metals in the supply chain, with a particular focus on chromium VI. In addition to testing, Legero purchases leather to order on an as-needed basis, rather than storing the material. The company actively avoids changing tanneries. Their corporate concept is based on ongoing partnerships with high-quality tanneries. The company's latest collections have been developed in such a way that no chrome-tanned leather touches the skin. In response to the question of whether suppliers are subject to occupational safety and building security requirements, Legero and Zalando cite the legal requirements and stipulations of the local authorities. Zalando also sets out more detailed requirements in its code of conduct.

37 For more on the use of the dangerous chemical hexavalent chromium in shoes, see INKOTA/Südwind (2017): Watch Your Step! A Study on the Social and Environmental Impacts of Tanneries in Uttar Pradesh and Tamil Nadu, India, <https://webshop.inkota.de/node/1521>.

38 RAPEX (Rapid Exchange of Information System) is the European Union's rapid warning system for dangerous consumer goods. It aims to protect consumers quickly and effectively from consumer products that are hazardous to health.

39 For the Otto Group's MRSL, see: https://mrsl.roadmaptozero.com/MRSL1_1/index.php

40 For Zalando's RSL, see: https://corporate.zalando.com/sites/default/files/media-download/Zalando_SE_Restricted_Substances_List_v03.00_EN_3.pdf

The Otto Group does not provide any information on this matter, while About You states that internal measures are currently being coordinated. However, none of the companies provides information on whether support measures are taken to ensure that health protection and building safety are actually implemented. None of the companies carry out joint capacity building activities with suppliers or with employees involving trade unions or specialists in occupational safety or environmental protection.

Notes: When it comes to the environment, health and safety, companies essentially rely on lists of substances, audits and certificates. However, since the manufacturers of leather are often not known, especially to trading companies (see Chapter 2.1.2), and the risk analysis carried out by the companies does not always include leather production in the lower part of the supply chain (see Chapter 2.1.1), trading companies are at particular risk of finding themselves lacking information that is crucial to minimising risk. This describes the Otto Group highly pertinent: “Transparency plays a crucial role in chemical management [...]. As a trading company, we do not have our own factories, and in most cases our business partners are not the factories in which the greatest use of chemicals takes place. We are therefore dependent on our direct business partners disclosing which factories they work with. This makes it especially important for suppliers to maintain transparency with regard to their wet processes.”⁴¹

In addition to audits, certifications and lists of prohibited substances, the companies surveyed implement very few specific measures to directly protect the health and safety of workers involved in the production of leather – despite the fact that joint capacity building and supporting measures to ensure health protection and building safety are necessary to eliminate risks. Research⁴² confirms that workers do not receive sufficient training in handling the chemicals used and are not provided with adequate protective clothing.

2.2.4 Is human rights due diligence also practised towards homeworkers?

In many countries, homeworking is an essential part of the production process in the manufacture of leather garments and shoes.⁴³ Comprehensive risk analysis and good corporate due diligence look deeper into the supply chain. In this survey, the issue of homeworking is raised to provide an indication of how seriously company management regards specific labour and human rights and/or groups of workers. The aim is also to ascertain whether companies consider risks lower down the supply chain, whether they are planning specific measures, and whether they review the effectiveness of these measures.

Presentation of the results: Legero has its own manufacturing facility in India, a producer country where homeworking is widespread. In the survey and in discussions in person, Legero stated that there is no homeworking in the supply chain, partly because it is not possible to manufacture the types of shoes marketed by the company in a home environment. Görtz does not provide information on homeworking. According to responses from the Otto Group, Zalando and About You, homeworking is part of their supply chains.

41 <https://www.ottogroup.com/de/verantwortung/Umwelt/Umgang-mit-Chemikalien.php>

42 INKOTA/Südwind (2017): Watch Your Step! A Study on the Social and Environmental Impacts of Tanneries in Uttar Pradesh and Tamil Nadu, India, <https://webshop.inkota.de/node/1521> and interviews with workers conducted as part of research by the Together for Decent Leather consortium.

43 Research reports from the 2015–2017 Change Your Shoes initiative in India and Indonesia show how individual steps in shoe production are outsourced to individuals working from home. Homeworkers Worldwide, Labour Behind the Label, Cividep (2016): Stitching our Shoes – Homeworkers in South Asia. <https://cividep.org/wp-content/uploads/2016/03/32-Stitching-Our-Shoes.pdf>; INKOTA, TURC, Südwind (2017): Zwei Paar Schuhe – Indonesische Schuhproduktion und Arbeitsrechte. https://webshop.inkota.de/file/1652/download?token=tH6_47IT

The Otto Group is the only company to state that homeworking is explicitly included in its risk analysis, although it is not planning any specific strategy measures. When asked what steps are being taken to address potential issues associated with homeworking, such as wages, health and safety, insurance and other fundamental rights, the Otto Group states that the company's policy stipulates respect for labour and human rights for homeworkers. These guidelines must be signed by business partners as the basis for cooperation. About You states that its business code of conduct also applies to homeworkers.

Zalando does not name any specific steps in its corporate policy with regard to the rights of homeworkers, but states as the only company to record orders for homeworkers from its suppliers. None of the companies provided information on how many of the tanneries and subcontractors, including homeworkers (Tier 2 and above), have an independent, freely elected union, advocacy group and/or a valid collective agreement. The Otto Group and Zalando state that they endeavour to take the interests, rights and grievances of homeworkers into account. About You does not take any precautions or measures in this regard.

Notes: Homeworking is widespread in the manufacture of shoes, but most responses from the companies indicate that there are few safeguards in place to protect the rights of homeworkers. The issue of homeworking should receive greater attention in risk analysis, and companies need to develop and implement strategies and measures to eliminate any such risks. Although rights of homeworkers are often harder to address, they form an essential part of the shoe supply chain.

2.2.5 Discrimination

Discrimination has various, multifaceted and complex causes and is partly structural. The power imbalance between those affected/rights holders and companies is also a major factor. Examples include the following:

- Economic/existential dependency on the part of those affected/rights holders
- Poor accessibility to (company) information for data subjects/rights holders
- Low legal requirements and little or no control of the implementation of laws, codes of conduct or standards
- Vulnerability of those affected

Those affected are already in a vulnerable situation due to the prevailing imbalance in the power structure in relation to the company. Other factors, such as gender or being a minor, can exacerbate vulnerability and may occur in isolation or in multiple ways in a single individual. Studies have shown that vulnerability is heightened in the supply chains for leather, leather goods and shoes, especially for women and members of certain groups (e.g. religion, ethnicity, caste, migrant background).

Securing the cheapest labour force is an inherent part of the value chain in the fashion and clothing industry. Low national wage levels, which may fall significantly short of the living wage and exclude social security or extra costs, are often a key consideration for companies choosing a location or supplier country. In many countries, this goes hand in hand with little official monitoring of working conditions, ineffectual labour laws and limited protection against discrimination. Social and cultural structures that result in exclusion and unequal treatment are often present in the various societies of the production countries. As a result, exclusion and discrimination, which often manifest in multiple different ways, prevent people from

participating in society and having a say in general policy and economic conditions. Social origin, religion or caste, ethnicity and gender are often factors in lower pay, assignment to poorly paid (devalued) jobs or a lack of opportunities to improve earning potential. In many factories, trade union involvement and a commitment to better working conditions are likely to result in harassment, retaliation or even dismissal. Discrimination has a psychological component, and often a physical one as well, such as when pressure on workers becomes violence, sexual harassment or assault. In the light of this, companies should ensure that women, in particular, are protected from harassment and violence in the workplace. Discrimination, especially against women, is not just a secondary aspect of the reality of work in factories, but an inherent part of the system. Discrimination and violence towards women in particular should be dealt with in a targeted manner as part of risk remediation, for example within grievance and remedy systems.

Presentation of the results: Companies rely on a number of measures to prevent discrimination. Legero works exclusively with a very small number of long-standing suppliers and producers who are conscious of, verify and act according to the relevant standards and do not tolerate harassment or violence at work, as stipulated in the code of conduct. Legero states that its own technicians are regularly on site at suppliers' premises. Legero United's technicians also monitor the situation in their own production facilities and would notice if there were obvious shortcomings or misconduct. Legero adds: "More than half of our shoes are produced in our own production facilities, where our high standards are part of everyday practice." Zalando defines "humane treatment and prevention of discrimination" as essential in its code of conduct and carries out social audits to check compliance. Zalando refers to its whistleblowing tool, which employees can use to anonymously and securely make contact with the company (see Chapter 2.1.1 for more about grievance mechanisms). The Otto Group does not provide any information regarding precautions against discrimination. About You refers to its own code of conduct, regular audits and on-site visits. The company also states that it is currently coordinating further measures.

Raising a complaint, making a personal commitment to better working conditions or membership of a union often lead to subsequent discrimination. Four companies (About You, Legero, Otto Group and Zalando) state that workers can put forward their interests and complaints on equal terms, regardless of gender, religion, and so on. None of the companies indicate that their producers/suppliers have an early warning system for harassment or violence at work. Only Zalando states that aspects of harassment and violence, especially against female workers, are covered by the grievance and remedy system; the other companies do not provide any information on this.

Notes: Discrimination is highlighted in the companies' codes of conduct and checked by auditors, thereby putting the onus primarily on third parties to check for and identify discrimination. As a result, there is a risk of companies failing to systematically record the risk of discrimination and only finding out about prevailing practices in factories if an auditor actually observes, recognises and reports on such incidents. This delays and hampers prompt and effective remedial action that could improve the situation of workers. Conducting checks in the form of personal visits or the deployment of in-house technicians suggests a certain level of individual initiative, but the extent to which actual incidents and violations are being addressed and sustainable solutions found remains questionable. Grievance mechanisms have been established at the companies, but there is little evidence that the various forms of discrimination are being dealt with or that countermeasures are being implemented in any depth. None of the companies have an early warning system for discrimination that could alert them to incidents at suppliers. This can also be seen as an indication that there remains room for improvement in fostering a joint sense of responsibility for workers in supply chains.

2.3 Criteria and requirements for online trade

All of the companies that took part in the survey are also active in online retail. For Zalando and About You, this has been their central business channel since the company was founded. The Otto Group can look back on a long history as a mail order company, while Legero and Görtz – as shoe manufacturers and retailers respectively – have recently expanded their business activities to include online retail. The companies surveyed here are among the leading online retailers in Europe. Zalando and Otto GmbH & Co KG (a subsidiary of the Otto Group) enjoyed the highest sales of any online store in the shoe sector in Germany in 2020, with About You in fifth place.⁴⁴ Overall, e-commerce is becoming more important in the retail sector, with the pandemic again acting as a strong catalyst for this existing trend.⁴⁵ Large online retailers and platforms sell both their own and third-party brands, and also provide online marketplaces for third-party providers. This raises the question of the extent to which access criteria are defined at the interface between manufacturer and retail in e-commerce: do online retailers make demands of their business partners with regard to environmental and human rights due diligence?

Presentation of the results: The business models of the four companies that answered the questionnaire differ in that Legero only sells its own brands, while About You, Otto Group and Zalando sell their own brands, trade with third-party brands and provide a marketplace for third-party providers. Tables 5 and 6 show the scope of online trade and the importance of the various segments.

Table 5: *Online and stationary trade as a percentage of total sales*

	E-commerce	Stationary trade
Legero	35%	65%
Zalando	90%	10%
About You	approx. 99%	approx. 1%
Otto Group	No information	No information

Table 6: *Own and third-party brands as a percentage of total sales in online trade*

	Sales of own brands	Trading in third-party brands and sale of third-party products on company's online marketplace
Legero	100%	—
Zalando	5–10%	90–95%
About You	approx. 7%	approx. 93%
Otto Group	No information	No information

Trading in third-party brands is an important segment of the business model for three of the companies surveyed. At About You and Zalando, the online sale of third-party brands and trade on the online marketplace accounts for over 90% of total turnover. All three companies trading in third-party brands stipulate certain requirements for their business partners.

The Otto Group's e-commerce wing obliges partners of the Otto Group platform to abide by the "Declaration on sustainability".⁴⁶ The Otto Group's partners commit to the company's code of conduct,

⁴⁴ <https://de.statista.com/prognosen/646294/top-online-shops-schuhe-deutschland-ecommercedb>

⁴⁵ <https://de.statista.com/statistik/daten/studie/71568/umfrage/online-umsatz-mit-waren-seit-2000/>

⁴⁶ https://www.otto.market/_Resources/Persistent/e315454799836fc3b02e9649761f36809e2c6716/Declaration%20on%20Sustainability.pdf

and the company also specifies animal welfare and environmental requirements. The following specifications, for example, apply to leather: "Hides, i.e. leather and skins, may only be used if they were obtained as a by-product of the food industry. This means that the use of hides from cattle, pigs, goats, sheep and lamb is permitted. For other animal species, there must be evidence that the skins were obtained as a by-product of the food industry." According to the company's annual report, the Supplier Declaration on Sustainability⁴⁷ forms the basis for any business relationship with suppliers of goods for the company's own brands or third-party brands.

Zalando requires partners to agree to the corporate ethical standards set out in the code of conduct, as well as ethical sourcing standards. Minimum requirements also apply to brand partners. These focus on the necessary foundations for engaging with sustainability-related issues. One such aspect is an insight into all Tier 1 procurement partners.

About You expects brands and other providers using its online shop to comply with the criteria set out in the company's code of conduct. Other measures are currently being coordinated.

With regard to evidence of compliance with human and labour rights and social and environmental standards, two companies state that they expect their brands and business partners in online retail to meet the Higg Index standard. The use of the Higg Index as a way of verifying business partners is handled differently by Zalando and About You. Since the introduction of the do.MORE sustainability strategy in October 2019, Zalando has set itself the goal of gradually stepping up its ethical standards⁴⁸, and only working with partners who meet these standards, by 2023. At the same time, Zalando requires all brands offered on the platform to carry out a sustainability assessment. Based on the Higg Brand and Retail Module (BRM) and Higg Co⁴⁹, Zalando has started evaluating its more than 3000 brand partners and own brands in order to implement a global sustainability standard. According to the company, due diligence obligations for human rights are reviewed at regular intervals, both in its own operations and in relation to partners. It is impossible to verify how OECD-compliant such reviews are, due to a lack of transparency. Zalando is currently working on defining processes for terminating cooperation if business partners fail to comply with these standards.

In 2021, About You began introducing the Higg Brand and Retail Module (BRM) for third-party brands as a way of verifying human rights and environmental standards. In addition to its own assessment, About You mentions verification by the mechanisms provided for in the Higg Brand and Retail Module.

Only Zalando provides specific information on how to deal with breaches of the rules. As a matter of principle, Zalando forms business relationships in a spirit of collaboration and works together with partners to find solutions where problems have been identified. Zalando will only suspend or terminate a partnership if a partner refuses to acknowledge the issues or participate in finding a solution. Violations were identified in the practices of seven Zalando partners during 2020. Dealings with two of these resumed once corrective measures had been undertaken, while business relationships with the remaining five partners were terminated.

47 <https://www.ottogroup.com/de20/verantwortung/dokumente/Code-of-Conduct.php>

48 Zalando sets out its ethical standards in its code of ethics and conduct. The code of ethics can be found here: https://corporate.zalando.com/sites/default/files/media-download/Zalando-SE_Code-of-ethics_2021.pdf

49 For explanations of the HIGG Index, see Table 7, p. 32.

When asked whether online shops or marketplaces require vendors to fulfil certain criteria for meeting human rights and environmental standards, Legero states that they are required to have production facilities audited by independent third parties. In discussions in person, the company indicated that this is a common process, consistently applied. For this purpose, Legero works with an auditing company (details were provided to the authors of this report) whose audit programme examines labour rights and social standards and confirms the above-average performance of the company's own production facilities in India and Romania. According to Legero, the few shortcomings identified were successfully remedied. The results of the audit have not been published. Legero is currently investigating which social audit (Fair Wear or SA8000) should be used in future.

Notes: Otto, Zalando and About You, the three companies that operate online retail involving third-party brands or provide a marketplace for suppliers, make certain demands of their business partners, obligating them to agree to a code of conduct or other established standards. However, they have not yet made proof of compliance with human and labour rights or social and environmental standards mandatory. High-revenue online shops such as these,⁵⁰ which have seen immense growth despite the crisis, have enormous potential for influence. A firm stance on this point would represent a major step forward (for human rights due diligence). Evidence provided by companies and/or reviews are not made public. Traceability and transparency are core elements in any informative standard and would serve as guide for consumers making purchasing decisions.

50 Otto.de and Zalando.de rank second and third respectively among top-selling online shops in Germany in 2020. <https://de.statista.com/prognosen/646009/top-online-shops-deutschland-ecommerce>

3. CONCLUSION: COMPANIES AND HUMAN RIGHTS DUE DILIGENCE – CHALLENGES

This evaluation of the Together for Decent Leather business survey on the implementation of human rights due diligence by selected companies presents and analyses the information provided and the existing approaches, while at the same time identifying challenges and areas in need of action.

One area of focus in the survey was company policy, with the aim of determining the extent to which **human rights due diligence has become a key concern for management** and is integrated into **corporate policy**.

The survey revealed gaps in the **disclosure** of due diligence on the part of companies. Half of the companies contacted did not take part in the survey and did not provide any information about how they exercise their responsibility towards human rights and the environment. They do not issue transparent or clearly comprehensible reporting on the measures they take to meet their responsibilities to their supply chains. The five companies that completed the questionnaire or submitted a written statement and engaged in verbal discussions are, therefore, a major step ahead in terms of transparency. However, they do not make any documents available for public scrutiny. A corporate duty of care towards the human rights of workers and the environment is not an end in itself, but it should be transparent, verifiable and publicly accessible. In other words, it should lead to comprehensive and transparent reporting.

The survey revealed that these companies need to make up ground in terms of transparency not only in public reporting, but also in the supply chain. Although leather is a secondary product group and material, after textiles and clothing, for most of the companies that took part in this study, it is nonetheless vital for companies to provide information about where and under what conditions the leather used in their leather products is produced. In particular, the current situation cannot be described as satisfactory because the leather and shoe industry is considered a risk sector that should receive special attention in the process of human rights due diligence. In addition, the transparency of supply chains and traceability of products are fundamental prerequisites for being able to implement human rights due diligence in a company. Companies can only take measures to minimise and eliminate social and ecological risks in their supply chains if they know where, how and by whom their products are manufactured.

This evaluation clearly reveals that the companies participating in the survey are working on implementing human rights due diligence in their business activities and supply chains, although their processes and current status vary greatly. They are also pursuing very different strategies. In all cases, implementation is necessarily an ongoing process. Much remains to be done in many different areas to improve the working and living conditions of those who produce leather, shoes and leather clothing.

So far, the companies have limited the focus of their risk analysis and some of their measures to Tier 1 – immediate or direct suppliers. This is not enough. When determining and evaluating the adverse impacts of business operations, a comprehensive risk analysis must encompass the entire supply chain. Responsibility for upstream processes cannot be delegated to a company's Tier 1 business partner or producer. A holistic approach is necessary when examining the impact of the company's own purchasing practices, as upstream production entails high risks to people and the environment.

It is worth noting that companies are continuing to rely heavily on **audits** by auditing firms to conduct regular checks of their suppliers and ensure compliance with labour and human rights. However, audits

alone are not sufficient as a means of implementing human rights due diligence, so they should only be included as an add-on to a set of measures. In most audits, neither the workers or rights holders themselves, nor the unions or NGOs are made aware of the findings. Although well-structured, independent auditing systems can provide indications of shortcomings, grievances or violations, they often fall short when it comes to human rights aspects and do nothing to rectify the situation. Within a set of instruments, audits can at best represent a sensible supplement to **mechanisms for raising grievances and implementing remedy**. Within a company, core business operations require a holistic strategy and various implementation processes for the successful implementation of the duty of care and the fulfilment of the legal requirements. An OECD-compliant system for grievances and remedy is required to ensure the inclusion of rights holders and those affected. This evaluation shows that major challenges still exist, especially in the area of grievances and remedy, and these cannot be overcome by one company alone. Multi-stakeholder initiatives (MSIs) and sustainability initiatives with certification or evaluation systems conducted by companies are mostly business-to-business systems (B2B) and originate primarily from the textile sector. For leather clothing and accessories, the systems geared towards technical and material quality contain little or nothing in the way of human rights aspects.

Overall, it is clear that **rights holders, trade unions, employee representatives and local NGOs** are insufficiently involved in the various steps of the due diligence process.

Sustainable purchasing practices and cooperation between purchasing companies and suppliers are vital for a range of reasons, especially to protect the rights of workers and strengthen resilience in the supply chain. The responses from the companies surveyed show that, while approaches to sustainable purchasing practices do exist, these relate to corporate codes of conduct and not wholly to due diligence. The effects of a company's own purchasing practices on the rights of people who work on their products, or on the environment, are neither systematically analysed nor examined by companies themselves. Yet analysing the impact of their own purchasing practices on sustainability, human rights at work and environmental standards is a crucial step in understanding the effects of their business activities and being able to make adjustments if necessary. Moreover, so far these companies have deployed virtually no capacity building measures among suppliers, either as a tool or a precursor to further measures. To date, they have not systematically implemented active discussion about what suppliers need in order to comply with labour and human rights, nor provided training on the requirements of human rights due diligence.

Another area of focus involves the **obligation to respect selected labour and human rights and how this can be established as part of business operations**. The participating companies have implemented little in the way of specific measures aimed at improving conditions for workers or rights holders. It is particularly notable that they have almost nothing to offer with regard to two core problems in the social sphere – wages and freedom of association. In the clothing industry, living wages have made little progress for decades, and the leather garment sector is in a similar state, or possibly even worse off in terms of measures being implemented. It is clear that retail companies pay even less attention to the leather product group. The survey shows that there is a strong need for action with regard to **living wages**. Some initiatives by the companies surveyed show that they have recognised this need for action. However, it was impossible to identify any steps that would effectively guarantee workers a living wage. Matters are little better when it comes to **freedom of association, trade unions and participation by rights holders**. The survey shows that companies have few concrete measures in place to ensure that freedom of association and collective bargaining are implemented in their supply chains.

When it comes to **environmental protection and health and safety at work**, companies primarily rely on lists of prohibited substances, audits and certificates to govern the use of chemicals. This approach is not sufficient. Leather manufacturers are often unknown to retail companies, while the risk analysis carried out by the various companies does not include leather production as part of the upstream supply chain, so they lack important information that could assist with minimising risk. In addition to audits and certifications, the companies take very few specific measures to protect the health and safety of workers in the production of leather, such as training courses on how to handle chemicals or health and safety at work.

Although **homeworking** is widespread in the shoe manufacturing industry, the responses from the companies surveyed show that overall, few safeguards are in place to protect the rights of homeworkers. In view of this, retail companies in particular need to give homeworking greater consideration in their risk analysis and strategies and measures for eliminating risks (including grievances and remedy).

Discrimination receives some attention in the codes of conduct and is checked by auditors, which puts the onus primarily on third parties to check for and identify discrimination, so it is only possible to get a snapshot of this issue. As a result, there is a risk of companies only finding out about prevailing practices in factories if an auditor actually happens to observe, identify and report on them. This delays and hampers prompt and effective remedy that could improve the situation of workers. Grievance mechanisms have been established by the companies, but there is little evidence that the various forms of discrimination are being dealt with or that countermeasures are being implemented in any depth. None of the companies have an early warning system for discrimination that would allow incidents or red flags at suppliers to be identified at an early stage. This can also be seen as an indication that there remains room for improvement in fostering a joint sense of responsibility for workers in supply chains when it comes to grievances and remedy.

The third area of focus of the survey was determining how the **shoes and leather garments retail sector ensures human rights due diligence** for the goods it sells. Responsibility for human rights is not limited to own-brand labels alone. The increase in online retail in particular raises the question of whether online retailers place requirements on their business partners with regard to environmental and human rights due diligence, what these are, and how they assist with implementing them. All of the companies in the survey that operate online retail with third-party brands or provide a marketplace for suppliers make certain demands on their business partners. However, these three online retailers have not yet made proof of compliance with human and labour rights and social and environmental standards mandatory. It is also unclear how they are contributing towards fulfilling their duty of care, which stems from their own influence. With regard to transparency and traceability, it should be noted that some of the evidence provided by the companies surveyed is not publicly available. Branch and industry standards are mentioned, but ultimately these do not offer sufficient transparency for consumers, so they cannot be used as a guide for their shopping decisions.

When evaluating existing approaches to the implementation of human rights due diligence, it is clear that, generally speaking, the participating companies are working to develop corporate policies on strategies and programmes of human rights due diligence. Nevertheless, the more specific these are in terms of implementation and the involvement of affected individuals and rights holders, the vaguer the information and measures to be presented tend to become. Real change for workers in terms of a living wage, freedom of association and health and safety at work is long overdue. So far, however, the

measures described here and the status of the processes seem insufficient to bring about such improvements for workers.

This analysis is based on information provided by the five participating companies. By the time this report is published, certain instances of the information presented may no longer reflect the current status of the company. The report indicates that, at the time survey responses were collected, some of the companies have made progress and set about addressing critical questions. Although this report investigated a small sample of companies, various industry challenges can be identified on the basis of their answers. Critical dialogue must be continued with the companies as a way of building upon this, while the challenges that have been identified should encourage the improvement of existing strategies and measures.

The challenges pinpointed here are by no means limited to the companies cited. Instead, this report is intended to serve both as a call to action and a means of encouraging companies that did not take part, as it applies to the entire shoe and leather goods industry. Companies need to exercise human rights due diligence, improve the living and working conditions of workers throughout their supply chains and ensure due diligence is fully implemented in their purchasing practices. They must be transparent and credible in explaining how they are fulfilling their responsibilities and, if necessary, show their willingness to rectify adverse developments and prevent future harm.

Table 7: *Multi-stakeholder and sustainability initiatives*

Name	Description of business-to-business (B2B) and business-to-consumer (B2C) initiatives	Link
ACT on Living Wages (ACT)	ACT (Action, Collaboration, Transforming) is an agreement between trade unions, global brands and retailers to achieve living wages for workers in the garment, textile and footwear industries. (B2B)	https://actonlivingwages.com/ Overview of members: https://actonlivingwages.com/who-we-are/list-of-members/
amfori Business Social Compliance Initiative (Amfori BSCI)	Amfori BSCI is a corporate initiative aimed at improving social standards in supplier companies. It was founded in 2003 by the Foreign Trade Association (FTA). Since 2017, 2,400 members subscribe to amfori BSCI. (B2B)	https://www.amfori.org/content/amfori-bsci
Accord on Fire and Building Safety in Bangladesh (Bangladesh Accord)	The Accord on Fire and Building Safety is a legally binding agreement between global brands, retailers and trade unions. This agreement was concluded after the collapse of the Rana Plaza factory building in 2013, and arose out of a prolonged campaign for improved safety. However, it does not include either tanneries or factories for leather goods and shoes. A new version of the Accord has been promoted by the RMG Sustainability Council (RSC) in Bangladesh since 2021, and is expected to be extended to countries such as Pakistan.	https://bangladeshaccord.org/ https://internationalaccord.org/
cads – cooperation for assuring defined standards for shoe- and leather goods production e.V.	Cads is an industry initiative founded in 2007 by the Federal Association of the German Footwear and Leather Goods Industry (Bundesverband der Schuh- und Lederwarenindustrie (HDS/L), which has existed as a registered association with more than 80 members for a number of years. Members profess their commitment to ensuring the quality of shoes and leather goods, including factors such as chemical use. (B2B)	https://www.cads-shoes.com/de/
Leather Working Group (LWG)	The Leather Working Group is an initiative founded in 2005. It has over 1300 members across the leather supply chain. The LWG audits and certifies the production of leather according to its own standards. The organisation does not feature a multi-stakeholder governance structure. (B2B)	https://www.leatherworking-group.com/
Sustainable Apparel Coalition (SAC)	The SAC is a global garment industry initiative with more than 250 members. It represents clothing, footwear and textile brands, retailers, suppliers, service providers, trade associations and other entities committed to reducing environmental impact and promoting social justice throughout the global value chain. The organisation does not feature a multi-stakeholder governance structure. The SAC devised the Higg Index. (B2B)	https://apparelcoalition.org/
Higg Brand and Retail Module (Higg BRM)	Das Higg Brand & Retail Module (Higg BRM) der Sustainable Apparel Coalition (SAC) ist ein Tool für Marken und Einzelhändler, um ökologische und soziale Auswirkungen zu messen und unterstützt Unternehmen Hotspots und Herausforderung entlang ihrer globalen Wertschöpfungskette zu identifizieren. Transparenz über die Standards und Performance der Unternehmen wird nicht gegeben. (B2B)	https://apparelcoalition.org/higg-brand-tool/
Higg Index	The Sustainable Apparel Coalition's Higg Brand & Retail Module (Higg BRM) is a tool for brands and retailers to measure environmental and social impacts and helps companies to identify hotspots and challenges throughout their global value chain. This tool does not provide transparency with regard to the standards and performance of the companies. (B2B)	https://apparelcoalition.org/the-higg-index/
Science Based Targets initiative (SBTi)	The Science-Based Targets initiative (SBTi) focuses on climate action in the private sector by enabling organisations to set science-based emission reduction targets. The SBTi is a partnership between the Carbon Disclosure Project (CDP), the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). (B2B)	https://sciencebasedtargets.org/about-us
Sedex Members Ethical Trade Audit (SMETA)	SMETA is a social auditing method devised by Sedex (Supplier Ethical Data Exchange). (B2B)	https://www.sedex.com/our-services/smeta-audit/

Name	Description of business-to-business (B2B) and business-to-consumer (B2C) initiatives	Link
Fair Wear Foundation (FWF)	The Fair Wear Foundation (FWF) was founded in 1999 with the aim of improving working conditions in the clothing industry. The members are companies, and the programme is run by a board of directors with an equal representation of NGOs, retailers/brands, manufacturers and trade unions. (B2B + B2C)	https://www.fairwear.org/
RE100	RE100 is a global renewable energy initiative by companies that have set themselves the goal of converting their consumption of electrical energy to 100% renewable energy. (B2B)	https://www.there100.org/
ILO Better Work	ILO Better Work is a programme to improve working conditions and competitiveness in the garment industry, implemented by the International Labour Organization (ILO) and the International Finance Corporation (IFC), a World Bank company. It works with governments, global brands, factory owners, trade unions and workers.	https://betterwork.org/
Forest Stewardship Council (FSC)	The Forest Stewardship Council (FSC) is an international association that offers various certification programmes and focuses on improving forest management worldwide. FSC sees itself as a platform for representatives of different interests to create a consensus on responsible forest management. (B2B)	https://fsc.org/en https://www.fsc-deutschland.de/de-de
Grüner Knopf (Green Button)	The Grüner Knopf (Green Button) is government-run certification label issued by the Federal Ministry for Economic Cooperation and Development (BMZ). It sets due diligence requirements for entire companies and combines them with product certification. The Grüner Knopf is only awarded if a product and company meet all the necessary requirements. An external audit is conducted to ensure that the company fulfils the due diligence requirements within its supply chain, as a prerequisite for product certification. Companies need to meet a total of 46 social and environmental criteria: 20 corporate criteria and 26 social and environmental product criteria. The criteria are currently being revised, as only some of the requirements are covered by the standard and the audit procedure. (B2B)	https://www.gruener-knopf.de/
SA8000	Social Accountability 8000 is an international standard for the certification of working conditions for female employees, created by Social Accountability International (SAI). (B2B)	https://sa-intl.org/programs/sa8000/
Partnership for Sustainable Textiles	The Partnership for Sustainable Textiles was initiated by the German Federal Ministry for Economic Cooperation and Development (BMZ) in October 2014 in response to the Rana Plaza, Ali Enterprises and Tazreen disasters in Bangladesh and Pakistan. The multi-stakeholder partnership is made up of members of industry (companies and associations), non-governmental organisations (NGOs), trade unions, standards organisations and the German government. It aims to improve conditions in global textile production, from raw material production to waste disposal. Due diligence and risks in the global supply chain are addressed individually and jointly by the members through a review process and joint projects on site in the context of partnership initiatives. (B2B)	https://www.textilbuendnis.com

COLOPHON

Human rights due diligence in practice

How are companies meeting their responsibility to uphold human rights in the global supply chain of leather (goods) and footwear?

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TOGETHER FOR DECENT LEATHER is a three-year programme by seven civil society organizations from Asia and Europe. The programme seeks to improve working conditions in the leather (clothing) and shoe industries in South Asia, with a focus on India, Pakistan and Bangladesh, and to reduce labour law violations. The consortium works to establish a stronger obligation for companies to fulfil their human rights due diligence obligations and calls on governments to establish regulations and safeguards to improve compliance with international labour laws. For more information about the programme and consortium, see the website: www.togetherfordecentleather.org



The **INKOTA**-network is a development policy organisation that has been fighting hunger and poverty and advocating fair globalisation for over 50 years, working through political campaigns and in cooperation with partner organisations in the Global South. INKOTA empowers people in the Global South to free themselves from hunger and poverty in a self-sufficient way.



Südwind is a development policy organisation that works in Austria to promote sustainable global development, human rights and fair working conditions. Through its educational work, the publication of the Südwind magazine and its various publications, Südwind addresses global relationships and is committed to building a fairer world through publicity initiatives, campaigns and information work.

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