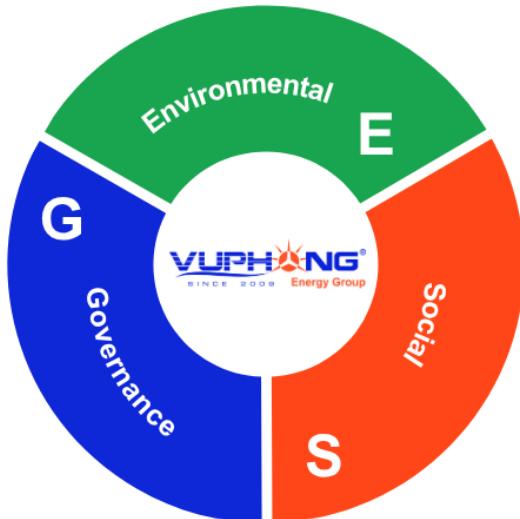


The green revolution ESG in the textile industry is leading



ESG

- **E - Environmental:** Môi trường liên quan đến cách doanh nghiệp quản lý tài nguyên, giảm khí thải và xử lý chất thải.
- **S - Social:** Yếu tố xã hội tập trung vào điều kiện lao động, quyền lợi người lao động và cộng đồng.
- **G - Governance:** Quản trị đề cập đến cách tổ chức hoạt động minh bạch, trách nhiệm và hiệu quả.

In today's market, sustainability is the new currency. Consumers are increasingly scrutinizing the brands they support, demanding transparency and ethical practices. For apparel companies, this shift has placed a spotlight on corporate responsibility, making ESG a cornerstone of brand reputation. This analysis delves into the essential role of ESG in the textile industry, highlighting how environmental, social, and governance criteria are reshaping business operations. Discover the compelling pressures from global markets and learn from pioneering Vietnamese companies that are leveraging ESG to build trust, secure their place in the supply chain, and pave the way for a more sustainable future.

In today's globalized economy, textile and garment corporations worldwide are increasingly compelled to implement Environmental, Social, and Governance (ESG) practices with utmost transparency. This imperative stems not only from tightening legal requirements but also from significant pressure exerted by consumers. Modern shoppers, particularly younger demographics, are demonstrating a growing preference for "green" brands that prioritize ethical labor practices and supply chain transparency.

The Crucial Role of ESG in the Textile Industry

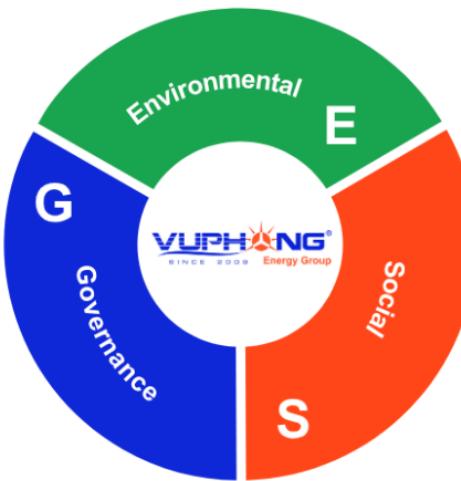
Amidst escalating globalization and the urgent demand for sustainable development, Environmental, Social, and Governance (ESG) factors have emerged as pivotal considerations for businesses within the textile and garment sector. Embracing ESG principles allows companies to not only meet evolving legal and market demands but also to enhance their standing and bolster competitive advantage for long-term sustainability.

Understanding ESG: Environmental, Social, and Governance Pillars

ESG is an acronym representing three core pillars: Environmental, Social, and Governance.

- **Environmental (E):** This pillar addresses how a company manages its natural resources, reduces greenhouse gas emissions, and handles waste.
- **Social (S):** The social component focuses on labor conditions, employee rights, and community engagement.
- **Governance (G):** Governance pertains to how an organization operates with transparency, accountability, and efficiency.

Together, these three interconnected pillars form the bedrock for businesses aiming to operate sustainably and adhere to international standards.



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ESG – The three pillars of environment, society, and governance

Global and Vietnamese ESG Implementation in the Textile Sector

The textile and garment industry is notoriously resource-intensive, generating substantial emissions throughout its production, consumption, and post-consumption phases. Globally, numerous major textile corporations have proactively adopted ESG strategies to mitigate environmental impact, enhance labor conditions, and strengthen corporate governance.

- **Fast Retailing (Uniqlo, GU):** This conglomerate is actively transforming its supply chain, significantly increasing the use of recycled materials, with recycled polyester reaching 47.4%. They aim to reduce greenhouse gas (GHG) emissions by 90% in stores and offices and utilize 100% renewable electricity. Socially, initiatives like "The Heart of LifeWear" (donating over 532,000 products) and the "PEACE FOR ALL" project demonstrate their commitment. In Vietnam, Fast Retailing further supports clean water access, school construction, and employment for people with disabilities.
- **H&M Group:** H&M has pledged to cut Scope 1, 2, and 3 GHG emissions by 56% by 2030, with a long-term goal of achieving Net-Zero by 2040. They have already reduced Scope 3 emissions by 24% compared to their 2019 baseline. Currently, 89% of their materials are recycled or sustainably sourced, including 29.5% recycled content. The company prioritizes renewable electricity, achieving 96% in operations, and plans to eliminate coal from its garment supply chain by 2026. Socially, H&M champions labor rights, occupational safety, and collective bargaining.



Examples of garment corporations implementing ESG

In Vietnam, where the textile industry forms a significant portion of national exports, robust ESG implementation is becoming a prerequisite for accessing premium markets, retaining customers, and enhancing brand value. Furthermore, to export to demanding markets like the US and Europe, Vietnamese textile enterprises must provide clear evidence of carbon neutrality. The EU's Carbon Border Adjustment Mechanism (CBAM), effective from January 1, 2026, particularly underscores the urgent need for Vietnamese textile businesses to prioritize ESG compliance.

International Market Demands and Global Trends Driving ESG Adoption

Key international markets, including Europe, the United States, and Japan, are imposing increasingly stringent ESG requirements across supply chains. Textile businesses failing to fully integrate ESG practices risk exclusion from these lucrative markets. Concurrently, the global trend towards sustainable investing means that investors are increasingly prioritizing companies that demonstrate strong ESG compliance.

The escalating regulatory pressures, new policies, and trade barriers from importing markets are evident in several prominent examples:

- **Europe – Corporate Sustainability Due Diligence Directive (CSDDD / EU):** The EU's CSDDD mandates that companies within its scope identify, prevent, and mitigate human rights and environmental risks throughout their value chains. This directive will compel EU importers to demand evidence from their suppliers, including textile manufacturers, regarding impact assessments, policies, and remedial actions. Consequently, this significantly elevates the need for transparency and traceability from exporting manufacturers.
- **Europe – Carbon Border Adjustment Mechanism (CBAM):** CBAM is designed to impose a carbon levy on imported goods, aiming to equalize carbon costs between EU domestic products and imports. While initially targeting carbon-intensive sectors, CBAM's implications (and related legislative amendments) are prompting importers and fashion brands to request embedded emissions data from textile suppliers. This data is crucial for assessing future cost risks and ensuring compliance.
- **Europe – EU Deforestation Regulation (EUDR) & Sustainable Textiles Strategy:** The EUDR requires proof that agricultural and forestry-derived materials (such as certain types of viscose, wood, or cotton linked to forest areas) are not associated with deforestation. Simultaneously, the "Textiles Strategy" and proposals like Ecodesign and Green Claims are intensifying pressure for supply chain transparency, restricting hazardous substances in fabrics, and combating greenwashing. This means businesses must provide verifiable documentation and independent evidence of origin for raw materials like fibers, viscose, and cotton.
- **Europe – Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH):** REACH is a comprehensive regulation governing the registration, evaluation, authorization, and restriction of chemicals, applicable to all products imported into the EU, including textiles. This regulation requires companies to control and eliminate harmful substances (e.g., azo dyes, heavy metals, or PFAS) from their production processes. European brands and importers are increasingly demanding that Vietnamese textile suppliers demonstrate REACH compliance through chemical inventories, regular testing, and safety certifications, ensuring products meet both ESG standards and EU environmental regulations.
- **Japan and Other Asian Markets:** Japan and several other Asian markets also enforce strict standards concerning chemical safety, recycling, and waste management.



Vietnam's Evolving Legal and Policy Framework for ESG

In recent years, Vietnam has consistently refined its legal system concerning environmental, social, and corporate governance (ESG) to foster sustainable development and international integration. These new regulations are particularly impactful for the textile and garment industry.

Environmentally, the Environmental Protection Law 2020, along with guiding decrees and decisions, has tightened controls on emissions, wastewater treatment, and hazardous waste management. Significant documents such as Decree 06/2022/NĐ-CP (on greenhouse gas emission reduction), Decree 08/2022/NĐ-CP (guiding the Environmental Protection Law), Decisions 888/QĐ-TTg, 896/QĐ-TTg, 841/QĐ-TTg, and most recently Decision 13/2024/QĐ-TTg on greenhouse gas inventory, all aim to reduce emissions and adapt to climate change in line with Vietnam's Net Zero 2050 commitment.

From a social perspective, the Labor Code 2019 serves as a foundational document for protecting employee rights, clearly stipulating standards for safe working conditions, non-discrimination, and prohibiting forced labor. The law also promotes workplace dialogue, collective bargaining, and union rights, thereby establishing a basis for transparent and humane working environments.

This increasingly comprehensive ESG policy framework acts as both a pressure point and a driving force for Vietnamese enterprises—especially in manufacturing and textiles—to invest in clean technologies, transparent governance, and sustainable human resource development.

Pressure from Customers, Investors, and Supply Chain Partners

Today, global fashion conglomerates are mandated to implement ESG transparently, driven not only by increasingly stringent legal requirements but also by direct pressure from consumers. Shoppers, particularly the younger generation, are showing a growing preference for "green" brands that uphold human rights and demonstrate transparency in their production processes.

A 2024 study by Verónica Baena, titled "The shift from fast fashion to socially and sustainable fast fashion," revealed a highly positive customer response to Zara's ESG and social responsibility initiatives. When Zara launched specific programs, such as creating employment for people with disabilities (For&From), developing eco-friendly product lines (Join Life), and transparently communicating its ESG efforts, customer purchase intent, trust, and loyalty all significantly increased.

Áp lực từ khách hàng, nhà đầu tư và đối tác trong chuỗi cung ứng

ESG

Người tiêu dùng quan tâm thương hiệu xanh	Case Study Verónica Baena, 2024	Yêu cầu từ đối tác & Thị trường
 MINH BẠCH - TÔN TRỌNG	 Tăng uy tín thương hiệu & Lòng trung thành của khách hàng	 Triển khai với tiêu chuẩn nghiêm ngặt Tính toán lượng phát thải carbon Thân thiện với người lao động Đảm bảo quyền lợi con người

ESG implementation pressure on textile enterprises from customers, investors, and partners

This trend underscores that to maintain reputation and competitive advantage, major brands are compelled to publicly disclose their carbon footprint and ensure full transparency across their entire production process, from raw materials to finished goods. Consequently, they demand that their manufacturing and supply partners in Vietnam meet similar ESG criteria: rigorous environmental management, guaranteed labor rights, and clear information disclosure.

Therefore, ESG is no longer an optional choice but a mandatory condition for Vietnamese garment factories and suppliers to remain part of the global supply chain. Proactively embracing green transitions, efficient energy use, chemical control, and transparent production processes not only helps businesses meet partner requirements but also creates long-term advantages, enhances reputation, and expands export opportunities into high-value markets.

Case Studies: Vietnamese Textile Enterprises Embracing ESG

Green TG – Tien Giang, Vietnam

At the Green TG factory in Tien Giang, a Korean company specializing in garment exports to European, American, Korean, and Japanese markets, a significant rooftop solar power system has been installed. This project incorporates 2,240 450Wp solar panels and eight SMA Sunny Tripower CORE 2 inverters, each with a capacity of 110kW—a new generation of inverters from SMA (Germany) known for their advanced features. This system is projected to reduce the factory's CO2 emissions by approximately 1,200 tons annually.



Green TG factory solar power project – Tien Giang – 1MWp

Eclat Fabric – Vung Tau, Vietnam

Eclat Fabrics Vietnam, a subsidiary of the prominent Taiwanese Eclat Textile Group, operates a factory with a capacity of 6,000 tons of fabric per year. This facility specializes in producing fashion knit fabrics, sportswear textiles, high-end apparel fabrics, and multi-functional technical fabrics with UV protection for major brands such as Nike, Adidas, and Lululemon.

The factory's solar power system comprises 2,682 450Wp solar panels, designed and installed to international standards, ensuring strict technical compliance and high aesthetic appeal. This advanced solar installation contributes to a reduction of 1,400 tons of CO2 emissions annually for the plant.



Eclat Fabric factory solar power project – Vung Tau – 1.2 MWp

Total Men Chuen – Dong Nai, Vietnam

The Total Men Chuen project, commissioned in 2020, boasts a 1 MWp capacity. It features 2,348 high-efficiency Jinko 405W solar panels, nine Huawei inverters, and a robust support frame and cabling system designed for over 30 years of durability. This solar power system enables the client to significantly reduce monthly electricity costs, boost production efficiency, and contribute to environmental protection.

Notably, this project was implemented under a Power Purchase Agreement (PPA) model, which involves a build-lease-transfer arrangement. Vu Phong Energy Group invested in and constructed the rooftop solar system on the client's factory, then leased it back to sell electricity to the client at a preferential rate. After a predetermined period, Vu Phong Energy Group will transfer full ownership of the system to the client. Learn about our Power Purchase Agreement (PPA) model.



Total Men Chuen factory solar power project – Dong Nai – 1 MWp