TCM NEWSLETTER

TCM TOWARDS SUSTAINABLE DEVELOPMENT

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ESG with the sustainable development of enterprises

The Environmental, Social and Governance Standards (ESG) report on sustainable development has become a mandatory annual requirement for listed companies on the stock market in Vietnam and enterprises engaged in international trade. Sustainable development becomes the core value of many enterprises, helping they define their visions and strategic directions. However, ESG also brings certain difficulties and it is necessary for enterprises to have solutions to ovecome these challenges in order to gain benefits of sustainable development.

Business activities that balance and harmonize interests between customers, businesses and social interests is a mindset in business administration towards the sustainable development of enterprises. Sustainable development is becoming a core value of businesses, helping businesses determine their vision and business strategy orientation, especially for businesses engaged in international trade, participating in the supply chain. global suppliers and public companies listed on the Vietnam Stock Exchange. Currently, there are sets of standards and indicators used by some organizations to evaluate the sustainable development of enterprises, such as: CSI (Customer Satisfaction Index); ISO26000 series of standards; ESG indicators evaluate and rank the sustainable development of enterprises. In particular, the ESG indicators and reports of enterprises are very important, are the basis for the selection of financial investors, business partners and are a competitive tool of enterprises in the market to meet customer expectations in modern society.

Basic concept

ESG *is a set of standards used to measure factors related to the sustainable development of enterprises. The concept of ESG was originally mentioned in a publication by the American economist Howard Bowen in 1953 in the form of CSR (Corporate Social Responsibility - corporate social responsibility in production and business activities) and ESG first appeared in 2003 in a United Nations report entitled "Who cares wins". Over the past two decades, ESG has changed from a set of specialized standards to assess the overall business picture of an enterprise as a basis for financial investors, to become a general term for how Business or brand managers consider the impact of businesses and products on the environment, society and their people. The ESG standard set includes 3 groups of standards, specifically as follows:*

E - Evironmental: *A group of standards related to issues of environmental protection and natural resources, such as: impacts from climate change and carbon emissions, management of polluting waste and water, mining Forest resources...*

S - Social: *A group of standards related to society as a whole, from basic issues such as customer satisfaction to holistic issues such as diversity, equity and inclusion, privacy, data security and privacy, community relations, etc.*

G - Governance: *A group of standards related to the organization's activities such as issues related to corporate governance, protection of intellectual property rights, ..*

The need to apply ESG of businesses

Safety and sustainable development are becoming core values of businesses, helping businesses define their vision and business strategy. ESG indicators are an important element that presents the whole picture of an enterprise's business operations, and the integrated ESG report and business strategy of the enterprise will convey the message that the business is taking steps. necessary for sustainable development and profitability in the long run.

Enterprise stakeholders *include financial investors such as shareholders, financial institutions such as banks, business partners in the production and supply chain, consumers, and the social community, etc. will look at ESG indicators and reports to show attitudes and make behavioral decisions about the business and its products.*
ESG indicators and reports have become an important factor as a basis for many global investors to consider investing in Vietnamese businesses. Financial investors are looking for businesses that uphold ESG as a core value in their operations, focusing on the issues that all employees, communities, and businesses are interested in around the world.

Business partners *are interested in implementing corporate social and environmental responsibilities to sustainably develop production and supply chains in the market. A sustainable supply chain means finding ways to reduce consumption of natural resources, waste inputs and limit hazardous substances generated, while promoting transparency both in operations and relationships. with suppliers.*

Consumers *not only tend to choose green and environmentally friendly products, but also care about the company's policies for employees and the community. Today, consumers in modern society place requirements on product quality and cost, while also demanding sustainability and environmental friendliness in each product. In a World Economic Forum report "The Future of Consumption in Fast-Growing Markets: ASEAN" published in June 2020 found that* **80% of consumers** *in the ASEAN region are concerned about sustainability and has changed living habits to become more environmentally friendly. The latest figures from Edelman's Trust Barometer report show that the way businesses treat employees and suppliers have been influencing consumer buying behavior. Accordingly, one-third of consumers have stopped using a brand that they found was not behaving appropriately before the crisis;* **71%** *said that if they perceive a brand that puts profit above people, they will never trust that brand again.*

The social community's attitude *towards products and brands of businesses through social media activities will greatly influence consumer behavior trends, and may even lead to product boycotts. or corporate brand.*

Source: Cong Thuong Magazine
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Thanh Cong Trading Investment Textile Garment Joint Stock Company (TCM) was honored in the Top 50 typical sustainable development enterprises in 2023.

On June 29, 2023, the Organizing Committee of the awarding program "Corporate Sustainability Awards (CSA 2023) organized by Nhip Cau Dau Tu Magazine and TCM honored to win the prize for the category " Pioneer of Circular Economy" thanks to its efforts to promote the use of recycled materials in the textile garment supply chain and TCM is the only listed textile garment company to be selected for this award.

The award is evaluated based on many activities of sustainable development with three pillars of ESG (Environment-Society-Government); Sustainable development strategies associated with business goals were voted on in 3 corporate types: FDI enterprises, listed enterprises and unlisted enterprises. The Top 50 CSAs are evaluated and announced by the International and National Jury Council.
Through in-depth evaluation rounds from the prestigious Council, TCM has won this title thanks to its efforts and pioneering role in research and business development (R&BD) on the use of recycled materials in the production stages to promote the circular economy model contributing towards the greening of Vietnam's textile and garment industry.

Photo at the Ceremony of CSA 2023 Award

Aware of the role of R&BD and fashion trends in the development of a sustainable green economy, in 2017, TCM officially built a strong research and business development (R&BD) center, invests in researching, testing and improvement to apply recycled, environmentally friendly materials, producing fibers and green fabrics from materials made from molasses, corn, seaweed, and other recycled materials from plastic bottles, old clothes, recycled products derived from sustainable wood and pulp, from certified and controlled sources...step by step towards greening in products and reducing harm to the environment. Specifically, the Company cooperates to classify and provide for reusing fibers, yarns, fabrics, finished products, waste materials, and supplies waste materials for reusing in other items, including textile garment products as well. Purchasing and using recycled and green materials (Recycle PE, Eco-Viscose...).

At TCM, the research and business development center (R&BD center) acts as a miniature textile garment model of the Company itself. During the research and development activities are carried out in all 5 areas: Yarn, Knitting, Weaving, Dyeing and Sewing. In particular, each stage of production is carried out under strict quality control procedures. According to the basic concepts, R&D (Research & Development) is simply a research and development activity for new products, but in TCM's R&BD, in addition to the above factors, we also pay special attention to business activities. That is, we always appreciate the real effectiveness of research products on the needs and desires of customers as well as the development of the business.

In the past time, Thanh Cong's R&D products have been well received and appreciated by customers and consumers, R&D products currently accounted for about 8% of the Company's total revenue from textiles garment, gradually contributing to increase revenue, profit as well as anticipate and catch up with the world's fashion trends. TCM is considered as one of the leading fashion textile manufacturers and exporters in Vietnam that has pioneered in bringing R&D products to commercialization.

TCM always aware that investment in R&D activities in particular and ESG in general is an essential element and an inevitable trend of enterprises to achieve sustainable development goals. In addition, TCM also considers this is the competitive advantage for business in meeting the diverse requirements of new-generation free trade agreements (FTAs), contributing to enhancing value in the textile garment supply chain application in Vietnam and the world.