

How ESG Factors Impact the Textile Industry

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The textile industry has a complex supply chain that typically involves multiple tiers of suppliers, including production, raw materials, textile manufacturing, garment design, transportation, retail, and more. With such a diverse supply chain, the carbon footprint is significant. Therefore, to achieve net-zero carbon emissions goals and meet ESG (Environmental, Social, and Governance) criteria, coordination among various stakeholders is necessary, including raw material suppliers, designers, manufacturers, retailers, and consumers. In this process, if the leading companies in the supply chain take proactive responsibility and leverage their advantageous positions to actively coordinate the actions of their upstream and downstream partners, it can facilitate the transformation of the entire supply chain. This collaborative effort among stakeholders plays a crucial role in addressing ESG factors and promoting sustainable practices in the textile industry.

Factors affecting the environmental ESG aspects in the textile and apparel industry

- **Water Usage:** The textile and apparel industry is one of the largest consumers of water. Companies need to monitor and reduce water consumption in their production and manufacturing processes.
- **Greenhouse Gas Emissions:** The production of textiles and transportation of products contribute to greenhouse gas emissions. Companies can reduce their carbon footprint by using renewable energy sources, optimizing logistics, and investing in more sustainable materials.
- **Waste Management:** The textile and apparel industry generates significant amounts of waste, including textile scraps, packaging, and unsold inventory. Companies can reduce waste by implementing recycling and reusing materials and embracing principles of the circular economy.

As globalization increases, the garment industry, particularly well-known fashion brands, need to ensure compliance with and uphold global corporate standards throughout their supply chains. This includes considerations of health, safety, labor rights, sustainability, and product quality, among other social ESG factors, including:

- **Labor Standards:** The textile and apparel industry has often faced criticism for

employing low-cost labor in developing countries, where workers may face poor working conditions and low wages. Companies can ensure fair labor practices by monitoring suppliers and implementing ethical sourcing policies.

- **Human Rights:** Workers in the textile and apparel supply chain may face violations of human rights, such as forced labor, child labor, and human trafficking. Companies can mitigate these risks by conducting due diligence and collaborating with reputable suppliers.
- **Just Transition:** The textile and apparel industry traditionally relies on low-cost labor in developing countries, where workers may experience harsh working conditions and low wages. A just transition involves ensuring that these workers can transition to new and more sustainable roles within the industry.

ESG factors that affect the governance of the textile and apparel supply chain

- **Transparency:** The textile and apparel industry's supply chain is often characterized by opacity, making it challenging to monitor and ensure ethical standards. Companies must enhance transparency by disclosing information about their suppliers and manufacturing processes.
- **Supply Chain Management:** The industry's supply chain typically involves multiple tiers of suppliers. Companies must implement governance systems to oversee suppliers and mitigate risks.
- **Corporate Responsibility:** Companies have a responsibility to act in the best interests of stakeholders, including employees, customers, and shareholders. They can demonstrate corporate responsibility by implementing ESG policies and reporting on their progress.

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