

ESG in the textile industry: sustainable business as a development imperative



Elvira Koca

HUMAN RESOURCES MANAGER
EUROTAY, KRALJEVO

In this edition of ESG Chat, we explore the integration of ESG factors into business strategies in the textile industry. The interview reveals important aspects of sustainable business, from regulatory challenges to the implementation of technological solutions, providing insight into the future of this sector.

In your opinion, what are the central ESG issues and challenges today, especially in the textile manufacturing sector?

Textiles have been a critical product in international trade for centuries, and the textile industry is one of the oldest, largest, and most significant industries worldwide. Today, it is a perfect example of a global industry where, after the production of a garment in one part of the world, the finished products travel thousands of kilometers to consumers on the other side. Hence, the textile industry faces a significant challenge - how to meet all the criteria of sustainable development and satisfy the needs of the present while not compromising the ability of future generations to meet their own needs.

The 2030 Agenda, which encompasses 17 sustainability goals, highlights three key dimensions of sustainable development: economic growth, social inclusion, and environmental protection. These aspects are interconnected, and effective management requires a holistic approach to sustainability.

Being aware of our responsibility towards the environment, society, and people, our company has never been satisfied with improving business operations by providing services to our clients. Our foundations of success and development are based on sustainable business and development strategies we implement in all aspects of our operation.

What are the textiles industry's key regulatory challenges regarding ESG compliance, and how are businesses adapting?

Fully conscious that sustainability has become one of the critical elements of competitive advantage and that with the successful integration of ESG goals into our business, we have a greater chance for long-term success and prosperity, we strive to comply with regulations and needs. Besides the alignment of sustainable business becoming a business imperative for us, the implementation of the same has become our moral obligation towards ourselves as individuals and the broader community.

The textile industry faces significant regulatory challenges in compliance with ESG principles, especially regarding environmental protection, climate change, social responsibility, and corporate governance.

As a socially responsible employer, we aim to adapt and implement appropriate policies, procedures, regulations, and practices into our business operations.

“ Today, textile is a perfect example of a global industry, where after the production of a garment at one end of the world, the finished products travel several thousand kilometers to consumers on the other side. ”

This includes investing in sustainable technologies, certification, and conducting supply chain audits. This commitment not only contributes to environmental protection and the enhancement of social responsibility but also builds trust with our stakeholders and contributes to the sustainability of the entire textile industry.

How are ESG issues integrated into the strategy and processes at Eurotay? Please provide some examples of specific initiatives.

Our advantage as a corporation operating in multiple countries was vital in setting good practices from the beginning of our operations in Serbia. Since 2017, as a corporation, we have been working on annual sustainability reports in accordance with GRI indexes, and we proudly share the results of Eurotay's sustainable business in the reports for 2021 and 2022.

We have produced outstanding results after five years of work and a joint path toward sustainability with our employees. The "Naše Slovo" workshop allowed employees to participate in creating our company's sustainable strategy, considering three key aspects: "E" for environmental impact, "S" for social environment, and "G" for corporate governance. In this way, we have created Eurotay in the heart of Serbia's textile industry, not just as a business enterprise but also as a symbol of sustainability.

Eurotay stands out for investing in sustainable technologies as part of our efforts to operate sustainably. As textile manufacturers, we are aware that we consume water, one of the planet's most essential resources. Our primary strategy for reducing water consumption was the construction of complex wastewater treatment systems at the beginning of the factory's establishment.

One of the greatest successes in this domain is certainly the fact that we return the treated water to the production process after the cleaning cycle, thereby minimizing the amount of original water used.

How does consumer awareness of the need for sustainable and ethical business practices affect the textile industry and companies' ESG strategies?

It's very important to recognize the role that consumer awareness plays in shaping business ESG strategies.

As manufacturers of textile products, especially denim, we highlight the importance of collaboration with brands for whom we produce. We believe that our business partners, i.e., clients who directly influence the product, play a key role in sustainability. Through joint work, our business strategy is to adapt to consumer needs and emphasize the importance of sustainability through product details.

Guided by shared goals of sustainability and development, since 2021, instead of plastic labels and washing instructions, you can find paper labels on products produced in our branch. These labels not only contain information about the product's origin and country of manufacture, they also provide detailed guidelines on ways to recycle the product after use. In addition, to complete our mission of transparency, the labels also contain detailed information about how much and in what way resources were used during the product's production. We believe that these steps can lay the foundations for a long-term change in awareness among all users of our products, emphasizing the importance of sustainability in our industry.

As an international company, how and to what extent do you take into account the ESG performance of other stakeholders in the value chain – suppliers, subcontractors, distributors?

In our business, as a manufacturer for a particular brand, it is essential to be aware of our position and place in the value chain. Just as our clients expect us to operate in accordance with their sustainable business norms, we, as manufacturers, establish specific standards in our domain and with our associates, which we monitor through specific performance indicators.

It is important to emphasize that the improvement of one industrial sector often leads to the development of other sectors closely related to a specific business segment. In this context, the development of data digitalization plays a key role. In the textile industry, there are numerous platforms that provide information about manufacturers, especially in terms of sustainable development. These platforms contribute both in the selection of partners and in providing good business examples in sustainability. Thus, they offer companies the opportunity to more efficiently evaluate the ESG performance of their suppliers and choose partners who share the same values about sustainability.

For us as an employer, the year 2022 was crucial for our efforts in sustainability. During this period, we renewed our OCS, RCS, GOTS, GRS certificates that support sustainable cotton production, and in 2023, we acquired the Regenagri certificate. The greatest success in terms of standardization and certification is undoubtedly HIGG, which is an indispensable indicator regarding the transparency of business operations from an environmental protection perspective. It is important to note that when forming partnerships with certain partners, a check of standardization and certifications they possess is conducted. In addition, experiences of good practices are exchanged and, if possible, implemented. No industry, smaller or larger employer, can be viewed separately. Together, we form one system in which everyone has an equally important role.



How does ESG performance affect investment and financing in the textiles sector? What trends do you observe in this area?

ESG performance is becoming an unavoidable factor in making investment decisions and investments in existing production processes, with companies that seriously approach this way of doing business being recognized as market leaders.

As for trends in the textile industry, sustainable financing is growing, with an increasing number of credit and investment funds turning to support sustainable businesses. These trends include several vital aspects, namely the move towards sustainable production, which implies using recycled materials, reducing water and energy consumption, various investments in organic materials, and, most importantly, investment in renewable energy sources.

As mentioned, regarding the project for wastewater treatment and its importance, several initiatives in the past years have contributed to our being recognized as a competitive and sustainable employer. A significant advantage of the textile industry is undoubtedly the possibility of material recycling. It is well known that through proper waste selection and processing, material can be obtained repeatedly for reuse in production processes. Not only do we use recycled material in our production facilities, but we also use modern technologies such as automatic dosing, which allows for minimal use of chemicals. Additionally, to create a healthier and safer work environment for our employees in the production facilities of the Eurotay company, automatic robots are used during spraying, which is one of the indispensable processes in making our products.

By investing in modern technologies in our production facilities, thanks to the Organic Rankine Cycle system, we have created the possibility to use the steam generated during production processes to heat the production facility, thus conserving consumable resources. It is essential to mention that all these investments are of a long-term nature and, as such, enable the employer to keep pace with trends in various areas.

“An advantage of the textile industry is the possibility of recycling materials. It is well known that through proper selection of waste and its processing, material that can be used in production is obtained again.”

What role does technology play in achieving ESG goals? Can you mention examples of innovative solutions in this regard?

Digitalization is one of the critical transformations that allows companies to improve business efficiency and keep up with modern trends. Introducing systems like the Digitay Automation System into our production facilities was the first step towards improving the working environment for our employees. Instead of the traditional way of monitoring employee performance, where paper was unnecessarily used, we introduced a tablet system where each employee gets the opportunity to access information about their work and efficiency at any moment and for the desired period, which has facilitated monitoring activities and progress of employees individually.

Considering that we employ over 1000 people, it is challenging to track the needs of employees and collect their suggestions and feedback during operations. Therefore, we turned to innovative solutions like the Taypa VOW app, which we introduced in 2020. This app allows our employees to anonymously express their ideas and suggestions and receive feedback through their smartphones, facilitating communication and encouraging employee motivation. Another innovation is the employee satisfaction survey, which is also conducted through this app, allowing us to continuously monitor their needs and improve the work environment in all our factories.

Thanks to the suggestions of our employees, we have been organizers and participants in many trainings, panels, social activities, and most importantly, we have created a space where our employees can see the progress and development of their company at any time, as well as receive feedback on everything that falls within their area of interest.

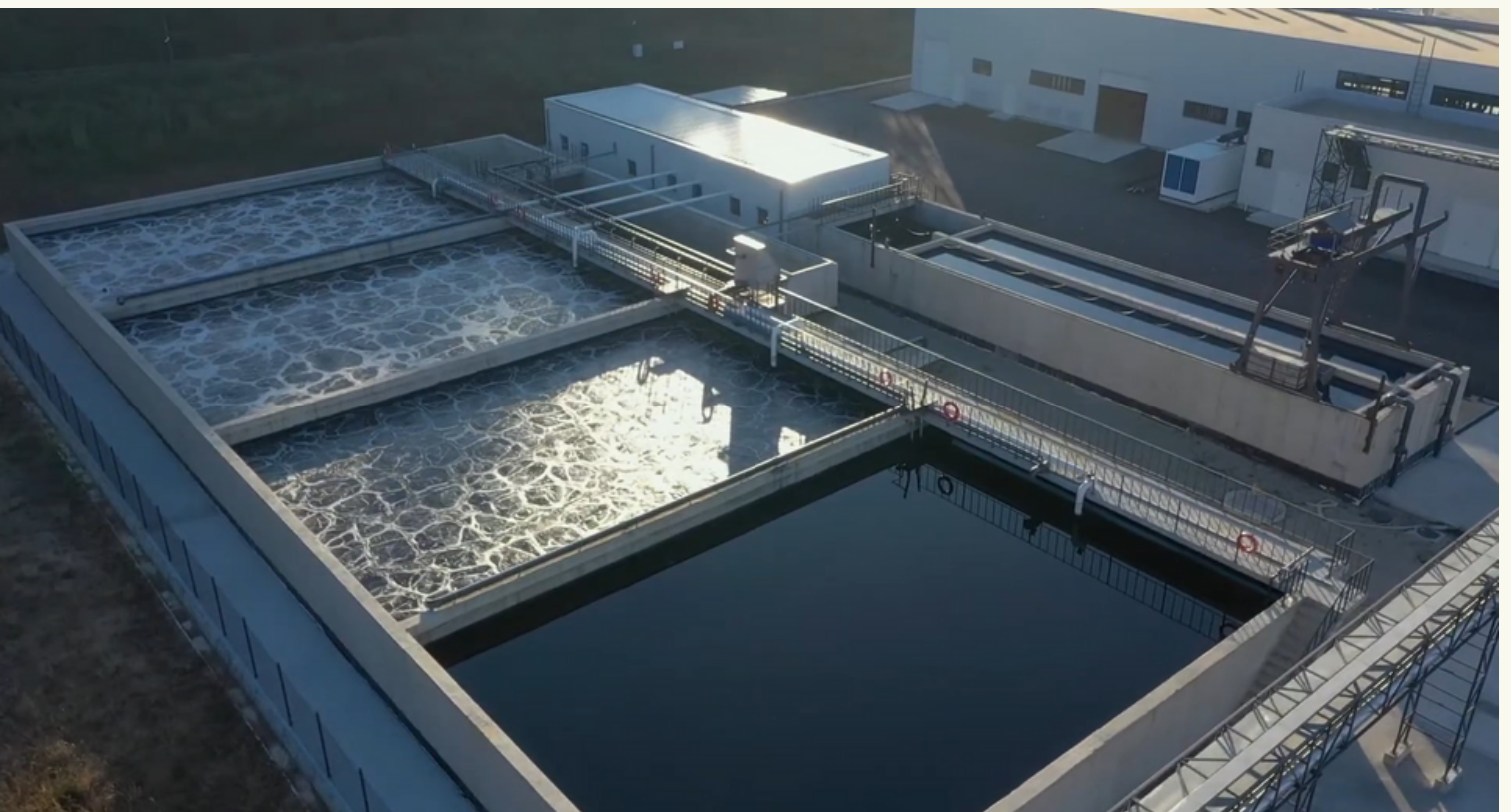
What are the main challenges in implementing ESG criteria in our country? What are the specifics of the industry?

Sustainability and development is an area that has gained importance in recent years and as such is still evolving. Besides the financial resources that need to be allocated for an employer to be recognized as sustainable and thus competitive, we face legal and other regulations that need to be changed in accordance with the developments in this sphere of business. As a country whose economy is on the rise, it is essential to keep pace with the needs, changes, and adequate solutions when adapting to them.

Is there a balance between financial and ESG goals? What would you say to a small business owner who asked you this question?

There is certainly a widely recognized notion that establishing a balance between financial/business goals and ESG goals is not only feasible but also progressively vital for sustainable success.

In the case of our company, we can see that integrating ESG practices into our business has resulted in improved financial performance, strengthened market reputation, and more efficient risk management.



The problems we encounter in our sector are sub-industries without which it is impossible to operate, and which either do not exist in Serbia or do not comply with ESG criteria, making them unsuitable for collaboration. What would certainly be of great importance is the recognition of these existing medium or small enterprises and the arrangement of special incentives to adequately integrate them into the sustainable business system.

I would encourage small and medium-sized enterprise owners to think of ESG as an opportunity to innovate in their business strategies, to stand out from the crowd, and thus become recognizable.

They should think of it as an opportunity to get creative with how their business operates, finding new and sustainable ways to achieve their goals.

About our guest

Elvisa Koca, who graduated from the International Relations department, started her professional career in 2017 as the person responsible for human resources with a focus on environmental protection.

Her previous experiences in this field have awakened a deep awareness and interest in environmental protection and sustainability.

For seven years of dedicated work in developing and implementing corporate social responsibility strategies, Elvisa has excelled in the role of Human Resources Manager and Sustainable Development.

For several years, she has been actively participating in various social activities and panels with the aim of improving knowledge in this area.

Her contribution has played a key role in the success of the company Eurotay, which has become a leader in the application of sustainable business practices in the textile industry.

With her expertise and engagement, numerous projects have been implemented that have contributed to the sustainability of the business, setting standards for the industry, and demonstrating the importance of corporate responsibility in today's business world.