

ESG Newsletter

March 2026



Introduction

Welcome to Our ESG Newsletter!

We are pleased to present the third edition of our bi-monthly ESG newsletter. In an increasingly complex regulatory and operational landscape in 2026, we remain focused on strengthening supply chain resilience through robust compliance frameworks, targeted regional analysis, and disciplined operational execution.

As outlined in our previous edition, this issue provides a comprehensive assessment of our Vietnam manufacturing operations, highlighting key social and environmental performance indicators.

In alignment with our roadmap, we are working on officially launching the **Integrated Factory Onboarding & Risk Exposure (IFORE) Procedure Protocol**. Under this framework, all factories must meet a defined **"Sustainability Baseline"** prior to receiving purchase orders. This milestone reinforces our commitment to proactive risk management, responsible sourcing, and measurable ESG performance from the outset of every supplier relationship.

We also explore SCOPE, EPR, and ESPR—three regulatory pillars shaping the future of sustainable manufacturing. These frameworks go beyond compliance; they are redefining how products are designed, produced, and brought to market, forming the backbone of Digital Product Passports (DPP).

In this newsletter you can expect:

Introduction

Vietnam Tier 1
site Analysis

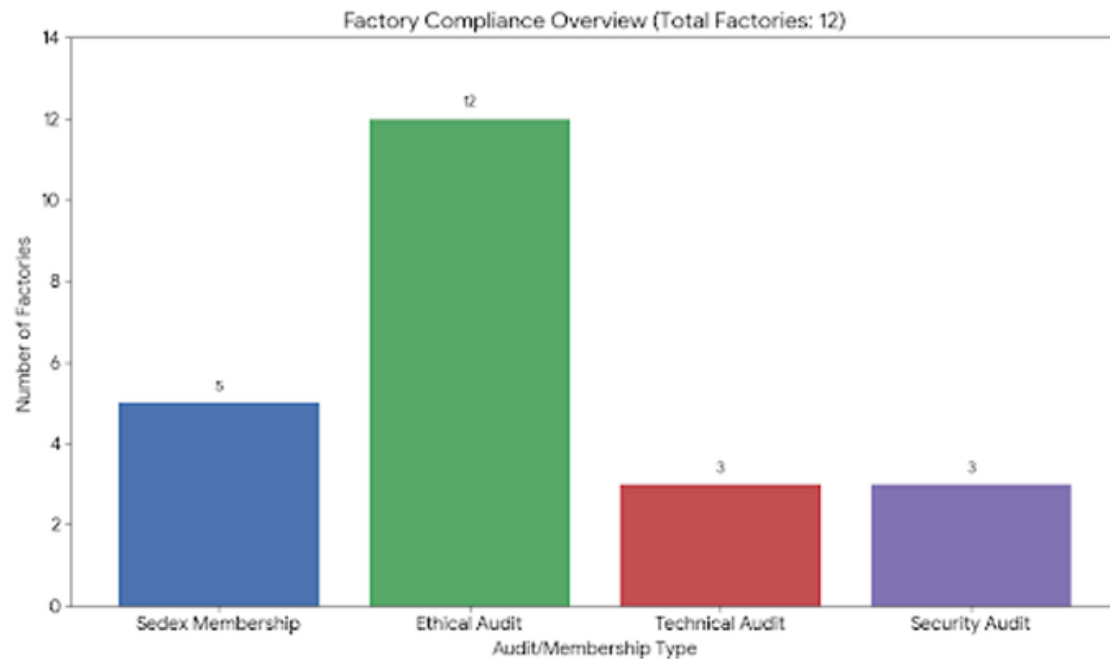
New Procedure
Roadmap

Knowledge base
and training

Contacts

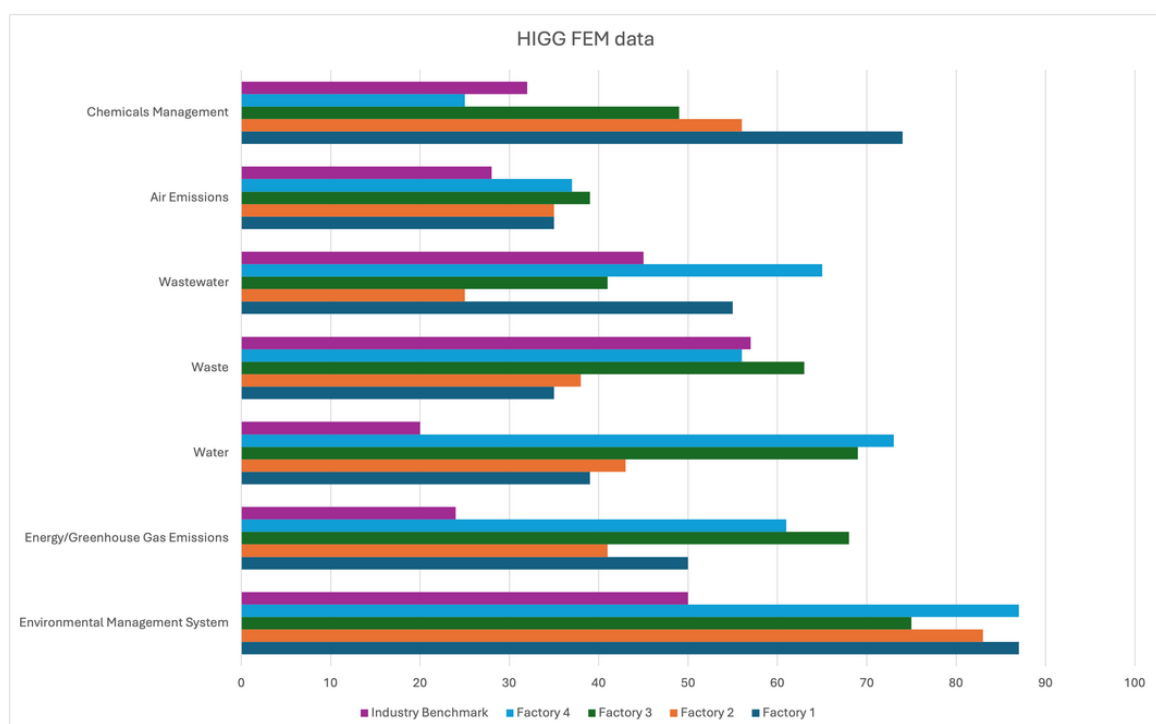
Vietnam Tier 1 site Analysis

The chart below provides a visual comparison of these counts.



Higg FEM (Facility Environmental Module) data for the factories that have completed the assessment.

Out of the total factories, 4 factories have provided individual scores across the 7 modules.



Vietnam Tier 1 site Analysis

Key Observations:

Audit Analysis: Here is the breakdown of their compliance memberships and audits for our active factories.

- **Ethical Audit:** 12 factories (100%)
- **SEDEX Membership:** 5 factories (41.7%)
- **Technical Audit:** 3 factories (25%)
- **Security Audit:** 3 factories (25%)

Strong Performance: Most factories are significantly exceeding the industry benchmarks in Environmental Management (EMS) and Energy/GHG, which is a strong indicator of foundational sustainability maturity.

Water Efficiency: While the industry average for Water has dropped significantly under the new FEM 4.0 methodology (median ~20), our are performing exceptionally well, with scores ranging from 39 to 73.

Waste & Chemicals: The benchmarks for Waste (57) and Chemicals (32) are the areas where some factories currently fall slightly below the global median, indicating opportunities for improvement in waste circularity and chemical inventory tracking.

New Procedure Roadmap

The IFORE Roadmap: Our New Standard for Factory Partnerships

To ensure every garment we produce meets our high ethical and environmental standards, CherryField is launching the Integrated Factory Onboarding & Risk Exposure (IFORE) protocol. This procedure makes sustainability and safety a mandatory part of our business from the very first day we work with a new partner.

The Two-Step "Gate" System

Instead of checking for compliance after an order is placed, IFORE creates a structured path that all factories must follow:

Step 1: The Ethical Gate (Must Pass to Start)

The first and immediate requirement under IFORE is strict adherence to our Code of Conduct. Factories must demonstrate compliance with core ethical standards.

Step 2: The ESG Growth Phase

Following ethical clearance, factories will undergo structured evaluation across Environmental, Social, and Governance (ESG) criteria.

This layered approach ensures that ethical compliance is not treated as optional or secondary but serves as the prerequisite to broader ESG integration

New Procedure Roadmap

Pilot Timeline & Regional Scaling

We aren't switching this on everywhere at once. We want to get it right, so we are taking a phased approach:

The Pilot: We are starting in one specific region to test our tools and training.

The Review: We will use the pilot to refine our scoring and support for suppliers.

The Global Rollout: Once perfected, IFORE will become the standard for all CherryField regions.

The Bottom Line: IFORE isn't just a "check-box" exercise. It is how we protect our company's reputation, our people, and our planet by starting every partnership with total transparency.

Knowledge base and training

In 2026, sustainability is no longer just a "nice to have"—it is a core part of how we do business.

We are providing a high level understanding of these three key concepts:

1. SCOPE Certification: Our "License to Sell"

Think of a Scope Certificate as a factory's official ID card that proves they are capable of making sustainable goods.

Why it matters: We can no longer use vague terms like "eco-friendly" without proof; this certificate is our legal shield against "greenwashing".

How it works: Auditors check that "green" materials are kept separate from regular ones on the factory floor.

The Golden Rule: We need a Scope Certificate (SC) for the factory and a Transaction Certificate (TC) for every single shipment to prove the goods are authentic.

2. ESPR: The "Design it Right" Rule

The Ecodesign (ESPR) regulation focuses on how we create our products from day one.
The Destruction Ban: As of July 19, 2026, it is illegal for us to throw away or destroy unsold clothes. We must find ways to reuse or recycle them.

The QR Code (Digital Passport): From 2027 onwards, every item we sell in Europe needs a QR code. When scanned, it tells the customer exactly where the materials came from and how to fix the garment if it breaks.

Design for Life: We must design products that are durable and easy to recycle.

Knowledge base and training

3. EPR: The "Waste Tax"

Extended Producer Responsibility (EPR) shifts the cost of cleaning up textile waste from the public back to the fashion brands.

The "Carrot and Stick": If we design high-quality clothes that last, our "waste tax" is lower.
The Penalty: Low-quality "fast fashion" items that are hard to repair will face much higher financial penalties.

Take-Back Programs: In many areas, brands /retailers are now required to provide places for customers to return their old clothes so they don't end up in a landfill

Feature	ESPR (Design Phase)	EPR (End-of-Life Phase)
Focus	Product Performance & Data	Waste Management & Funding
Primary Tool	Digital Product Passport (DPP)	Eco-Modulated Fees
Goal	Make products that last longer.	Ensure no garment goes to a landfill.
Business Impact	High R&D and data tracking costs.	Direct financial tax on volume sold.

Key Takeaway: In 2026, sustainability is a math problem. If you design for durability (ESPR), you save money on waste taxes (EPR).

Compliance is no longer a back-office function; it is a competitive advantage. The integration of ESPR and EPR into our core operations ensures that we stay ahead of market bans and financial penalties

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