

VIETNAM'S EXPORTS & THE SUPPLY CHAIN DUE DILIGENCE REQUIREMENTS OF EUROPEAN MARKETS

Dr. Nguyễn Thị Thu Trang - Head of VCCI Research Group

VCCI Conference, 21st October 2025

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- 2. Responsibilities of Vietnamese suppliers**
- 3. Case of Textile and Footwear supply chains**
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1. Which Vietnamese suppliers are affected by the Supply Chain Due Diligence Requirements of European Markets?

Legislation in European markets?



Subjects under regulation

Large companies operating in the EU



Subjects are affected

- **The Germany's SCDDA:** All suppliers throughout the entire supply chain of enterprises falling within the scope of regulation.
- **The Eu's CSDDD:** All business partners involved in the “chain of activities” of enterprises falling within the scope of regulation

Vietnamese Context

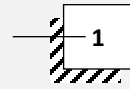


Subjects are affected:

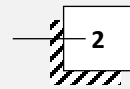
The affected subjects are all business entities in Viet Nam (enterprises, cooperation, business household,...) - referred to as “Vietnamese enterprises” which:

- ✓ **Participating in the supply chain of goods and services exported to Europe or imported from Europe; and**
- ✓ **Customers/Partners in Europe are enterprises subject to the legislation of the SCDDA /CSDDD**

Group of Vietnamese enterprises supplying to the EU



Vietnamese enterprises participating in manufacturing, exporting, and services

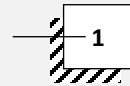


Vietnamese enterprises providing raw materials, equipment, and semi-processed inputs for manufacturing and exporting

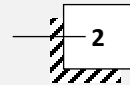


Vietnamese enterprises providing transport, logistics, and related services supporting production and export

Group of Vietnamese enterprises distributing to the EU



Vietnamese enterprises providing transportation, logistics, and related services for the import and distribution of goods or services from the EU



Vietnamese enterprises providing warehousing and distribution services (wholesale, retail) for EU partners' goods/services to Vietnamese buyers.



2. Responsibilities of Vietnamese suppliers in the Supply Chain Due Diligence Requirements of European markets

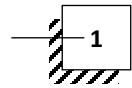




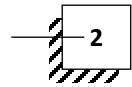
Groups of key Responsibilities

- #1** Responsibility to comply with human rights and environmental standards
- #2** Responsibility to implement certain due diligence measures

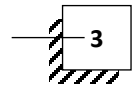
Responsibility to comply with human rights and environmental standards



Indirect but Core responsibility



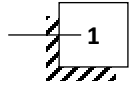
Aims to prevent and address Risks - rather than act only after violations occur



Standards: Broad but fundamental and largely Consistent with Vietnam legal standards

- ❖ Fundamental human rights (right to life, housing, safety, privacy, etc.)
- ❖ Core labour standards (prohibition of child labour and forced labour; freedom of association and collective bargaining; living wage; non-discrimination, etc.)
- ❖ Environmental standards affect human well-being (prohibition of hazardous substances; prevention of environmental degradation; protection of community resources; prevention of marine pollution, etc.)

Responsibility to implement certain measures in the due diligence process (1)



Responsibility to cooperate with EU/Germany companies during their due diligence process

Obligations of regulated enterprises

Analyze, assess, identify and categorize risks of violation

Prevent, address, mitigate and remedy risks or adverse impacts

Establish a complaints mechanism

Cooperation Responsibilities of Vietnam suppliers

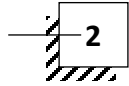
Provide information related to their own production and business processes:

- Elements of production and business chain
- Human rights and environmental standards already implemented
- Identified risks of violations, if any

- Provide necessary data to enable the regulated enterprise to conduct its due diligence assessment
- Human resources to coordinate

Inform employees and stakeholders about the complaints mechanism for use when needed

Responsibility to implement certain measures in the due diligence process (2)



Responsibility to proactively take preventive and corrective actions to address risks

Obligations of regulated enterprises	Cooperation Responsibilities of Vietnam suppliers
Take preventive measures	<p>Cooperate with regulated enterprises when requested:</p> <ul style="list-style-type: none">▪ Sign compliance commitments▪ Participate in human rights and environmental training Sign and implement necessary joint measures
Implement corrective measures for violations	<ul style="list-style-type: none">▪ Make efforts to cease the violation and remedy the▪ Develop a specific action plan for termination and remediation if more time is needed; <p>Note: EU customers/partners may suspend transactions during the remediation period.</p>



Rights of Suppliers

#1 Right to refuse*

Tasks that fall under the responsibility of the regulated enterprise

#2 Right to information*

- Right to request clarification on the information required
- Right to refuse to provide confidential (if no confidentiality commitment is given) or irrelevant information.

** According to Germany's SCDDA*

Support for Suppliers

Right to receive support **

*** According to the EU's CSDDD*

#1 Mandatory supports

- ✓ Capacity-building assistance (participation in training and capability enhancement programs)
- ✓ Financial support (if due diligence measures by the regulated enterprise cause significant business risks to the Supplier)

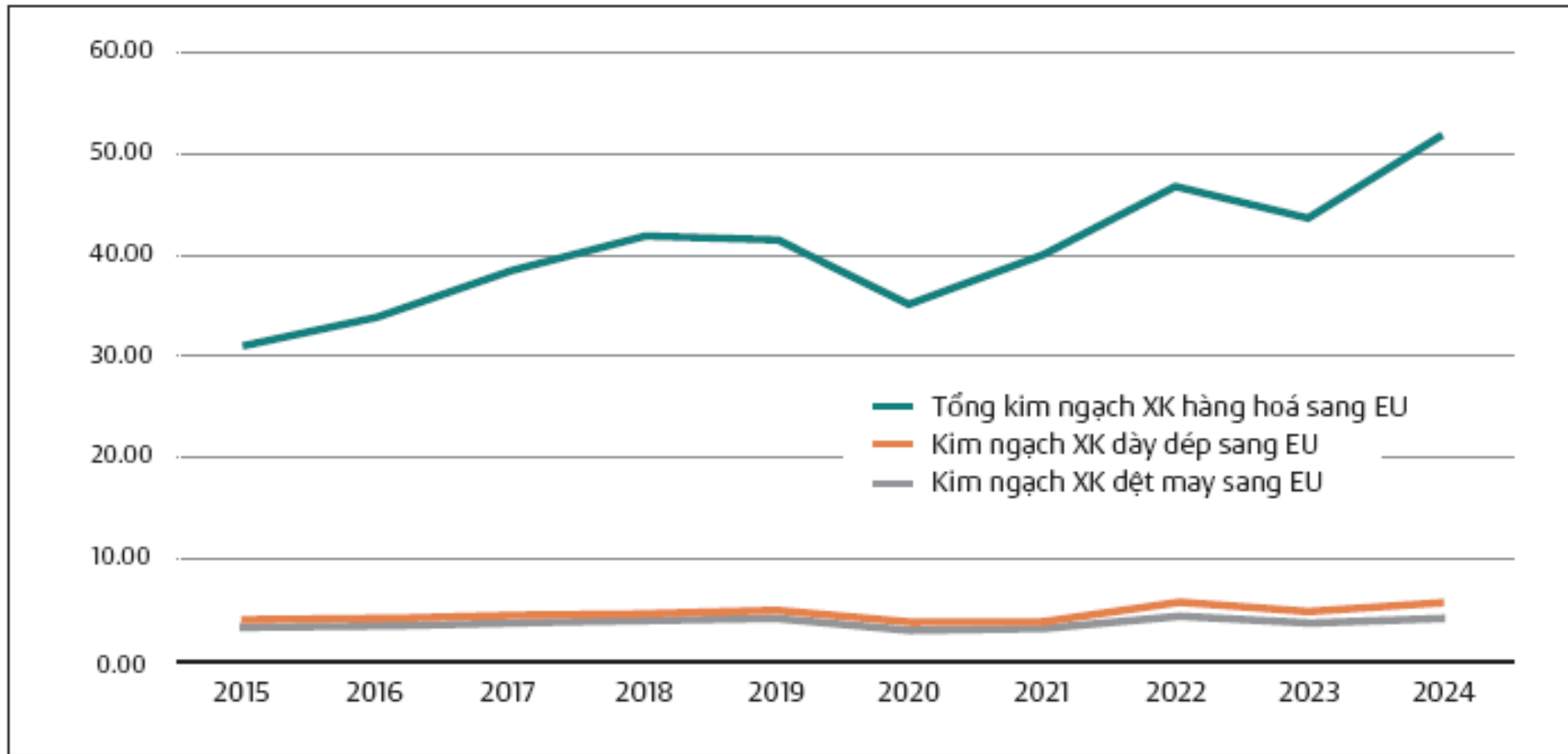
#2 Encouraged supports

- ✓ Consultation on the Due Diligence Plan
- ✓ Opportunities to participate in Capacity-building Programs and access Financial Support Packages.

The background of the slide is a close-up photograph of a person's hands working on a brown leather shoe. The person is using a specialized sewing machine, likely a moccasin stitcher, to create the shoe's sole. The machine has several large, circular rollers and a complex metal mechanism. The lighting is warm and focused on the work area, highlighting the texture of the leather and the precision of the machinery.

3. Vietnam's textile and footwear supply chains & the Supply Chain Due Diligence Requirements of European markets

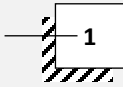
Vietnam's Textile and footwear exports to the EU



Nguồn: Cục Thống kê – Bộ Tài chính

Đơn vị: Tỷ USD

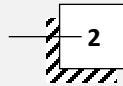
Key “sensitive” characteristics from a supply chain due diligence perspective



1

Structure

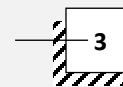
- Long supply chain with many subjects involved
- Strong disparities in capacity, working conditions, wage levels



2

Laborers

- High use of workers
- High proportion of female workers
- Large number of migrant (inter-provincial) workers
- Possible use of child or elderly labour in certain stages



3

Environment

- Poor or unsafe working and living conditions, potential pollution
- Use of chemicals and hazardous waste in some production stages



Vietnamese Suppliers in the Supply Chain



Production Stage	Textile Supply Chain	Footwear Supply Chain
Supply of raw materials and accessories	<p>A limited number of Vietnamese enterprises produce and supply:</p> <ul style="list-style-type: none"> ➤ Raw materials (cotton, linen, hemp, silk, wool, polyester, nylon, etc.) ➤ Materials and accessories (fabric, yarn, buttons, thread, zippers, etc.) 	<p>Vietnamese manufacturing and supplying enterprises</p> <ul style="list-style-type: none"> ➤ Raw materials (soles, fabric, rubber, etc) ➤ Materials and accessories (glue, fabric, yarn, buttons, thread, zippers, etc.)
Manufacturing, processing	<p>Vietnamese manufacturing and processing enterprises</p> <ul style="list-style-type: none"> ➤ Mainly under CMT (Cut-Make-Trim) ➤ Some as OEM (Original Equipment Manufacturer) 	<p>Vietnamese manufacturing and processing enterprises</p> <ul style="list-style-type: none"> ➤ Mainly under OEM (Original Equipment Manufacturer)
Logistics Exports	<p>Vietnamese enterprises mainly provide domestic logistics services up to the point when goods are loaded onto vessels</p> <ul style="list-style-type: none"> ➤ Most of them are forwarders ➤ 3PL (Third Party Logistics) 	

Risks in the supply chain from a due diligence perspective (1)



Risk of child labor

High-risk situations

- # Outsourced stages to household workshops (beading, embroidery, leather stitching, etc.)
- # Locations with low school attendance rates, or where living costs exceed average wages, areas with a high proportion of migrant worker families

Measures

- # Immediately cease the use of prohibited child labor
- # Hire workers only under formal employment contract
- # Collaborate with local authorities to support community monitoring, improve school attendance rates, etc.

Risks in the supply chain from a due diligence perspective (2)



Risk of harassment, violence, and gender inequality

High-risk situations

- Production stages that employ a lot of low-income female and girl workers
- Frequent recruitment of short-term, seasonal, or adolescent workers
- Enterprises where female workers are concentrated in low-skilled, low-paid positions, with high turnover rates, and male-dominated management
- Recruitment, pay, and benefits criteria that are gender-biased
- Female workers who are ethnic minorities
- Female workers (i) live in housing provided and managed by male enterprises; (ii) rent accommodation far from the workplace

Measures

- Stop discriminatory practices
- Skills training for workers and supervisors
- A substantive mechanism for women workers to report harassment and violence
- Organize shuttle buses for workers at risk of harassment on the way to work
- Cooperate with local authorities to protect women and girls outside the workplace

Risks in the supply chain from a due diligence perspective (3)



Risk of forced labor

High-risk situations

- High-fee labor recruitment through intermediaries/brokers
- Workers taking out high-interest loans or credit to cover training costs
- Employment of vulnerable groups at risk of forced labor (children, adolescents, workers from remote areas, prisoners, outsourced/seasonal or informal workers, etc.)
- Peak seasons with large order volumes from multiple clients

Measures

- # Strictly comply with all labor laws and employment contract regulations
- # Support and encourage workers and trade unions to raise concerns and report violations

Risks in the supply chain from a due diligence perspective (4)



Risks to health, occupational safety, and working environment

High-risk situations	Measures
▪ Working hours are too long (due to low salary, many orders/urgent adjustments...)	# Arrange reasonable labor processes to reduce working hours
▪ Production environment with high risk of pollution (dust, noise)	# Review and handle risks of pollution and unsafety at the workplace
▪ Production process uses toxic chemicals	# A plan to evacuate and protect workers in case of unsafety incidents
▪ Unfriendly machinery, equipment, working posture, high risk of unsafety	# Establish and strictly implement labor safety regulations

Risks in the supply chain from a due diligence perspective (5)



Risk of inadequate living wages

High-risk situations

- The legal minimum wage is not enough to live on.

Enterprises employ:

- Many workers from other provinces
- Many workers are apprentices, young workers, and informal workers
- Pay by product, working hours

Measures

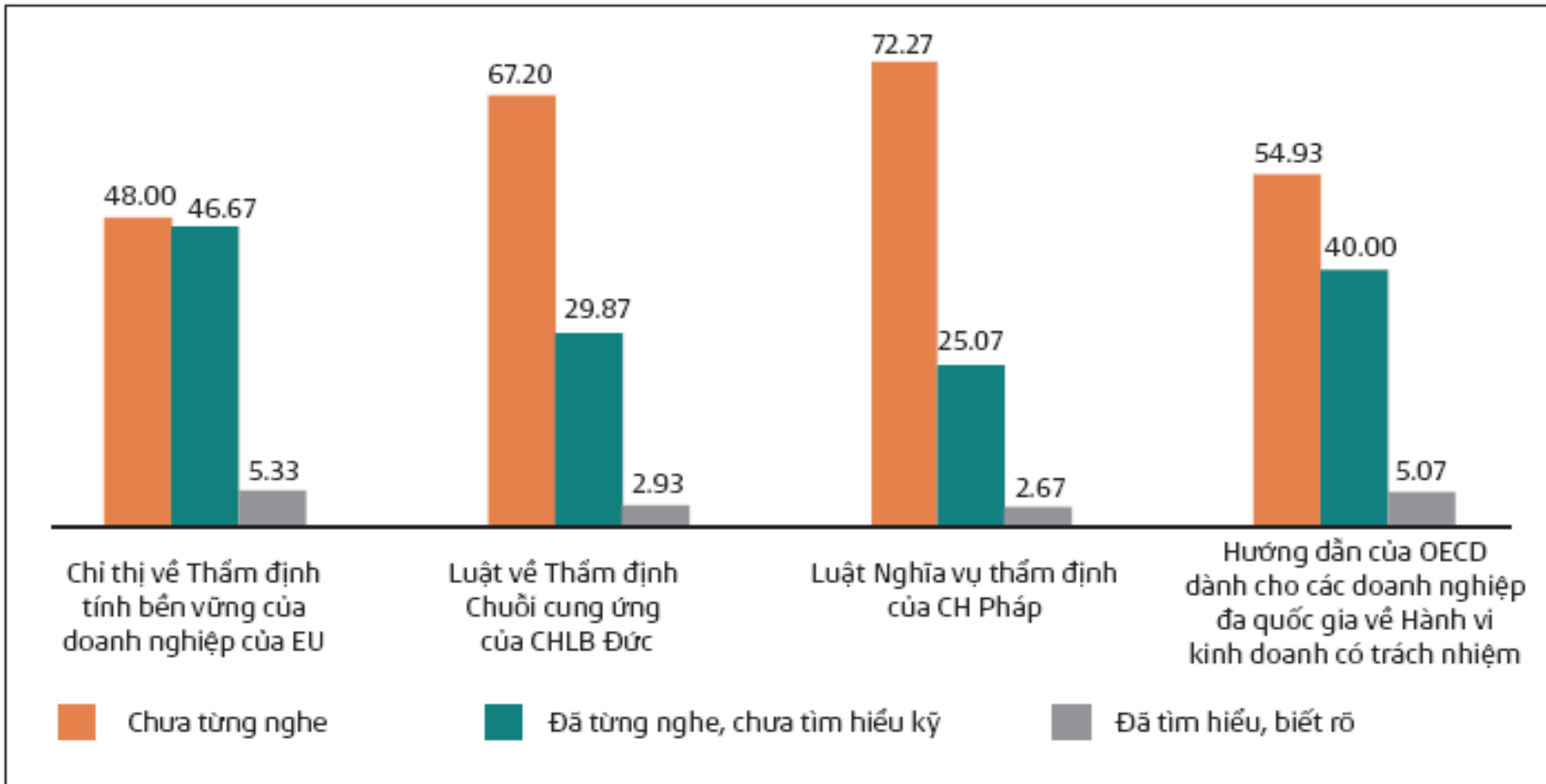
- # Transparency in salary structure and payments to employees
- # Transparency and limitation of fines, deductions from salaries and income of employees
- # Efforts to improve salaries for vulnerable groups of workers (outside the province, young, apprentices...) or groups with irregular salaries

Key Recommendations



Current awareness status

Understanding of Vietnamese stakeholders on legal systems
for supply chain due diligence in European and others



Nguồn: Khảo sát nhanh của TTWTO-VCCI tháng 8/2025

Current capacity status

Strengths – Advantages

- ✓ Many Vietnamese suppliers are familiar with human rights and environmental standards (through Supplier Codes of Conduct of major Customers)
- ✓ Vietnam’s labor and environmental legislations are approaching high world standards (especially through new generation FTAs)
- ✓ Vietnamese suppliers are mainly in the formal economic sector
- ✓ The cost of complying with supply chain due diligence requirements is not too great.

Weaknesses - Challenges

- Some production and trade stages may have potential risks.
- Due diligence (and monitoring) standards are quite broad and can be interpreted in different ways.
- Compliance costs, though small, still add to the burden on Vietnamese enterprises, especially in the current difficult context.

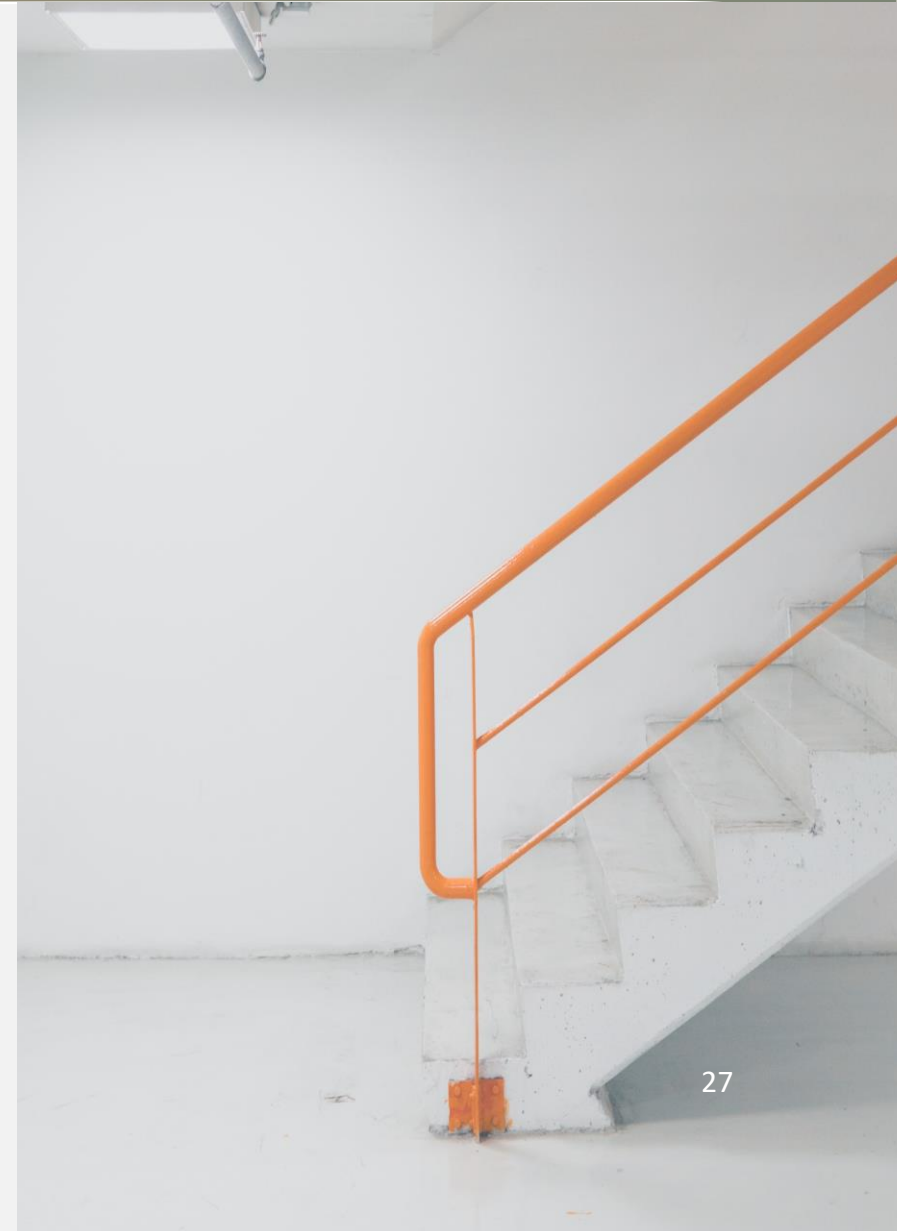
Recommendations for Businesses

Strictly and fully comply with Vietnamese legal standards, especially those related to labor and environment

Preparation (resources, manpower) for supply chain due diligence

To coordinate European Clients/Partners as requested, should be:

- ✓ Carefully identify the requirements and compare them with the regulations
- ✓ Identify specific responsibilities
- ✓ Closely coordinate in implementation and seek support, if any



Recommendations for Business Associations



Develop professional capacity to effectively provide advice and guidance to members



Proactively implement capacity-building activities for members:



Cooperate with members in specific cases, if any



Raising Awareness and Information

Training Programs

Discussion

Recommendations for Authorities - Trade Unions



At management aspect

- ✓ Identify and warn businesses about risks of violations
- ✓ Confirm and certify the level of compliance with labor and environmental standards of businesses as requested
- ✓ Coordinate with businesses and associations to work with customers/partners when requested



At support aspect

- ✓ Timely information on policy moves, legislations of countries on supply chain due diligence
- ✓ Search, information on international resources to support businesses, Associations in implementing these requirements



Thank you!

Dr. Nguyễn Thị Thu Trang

Legal and International Trade Policy Seniors Expert

thutrangvcci@gmail.com