

New European legislation on Environment, Social and Governance (ESG) Reporting and Due Diligence

EU's engagement in Bangladesh



Abu-Syed Belal
Politics and Trade Section, EU Delegation to Bangladesh





How does EU promote sustainability in Bangladesh?

- Bangladesh largest EBA beneficiary.
- EU's engagement with Bangladesh governed by trade relations under **GSP Everything but Arms (EBA)**
- **GSP Regulation** requires beneficiaries to respect social and environmental rights.
- **Rana plaza – a turning point**



EU toolbox to promote Sustainability/due diligence

Rana plaza 2013:

Engagement.

Incentives –
technical and
financial
assistance.

1. Sustainability Compact –
Legislative and
procedural reforms
-Non-binding

2. Private sector led
infinite – ACCORD
- Binding on factory
safety

EBA Enhanced Engagement since 2018:

Limitation of Compact
process.

Lack of enforcement.
Failure of voluntary
approaches.
Lack of level playing field –
buyers and suppliers.

1. Government led:
National Action Plan on
the Labour Sector
(2021-2025) –a
condition for EBA as
well as GSP+

2. Private sector
involvement –
(Corporate
Sustainability Reporting
Directive & Due
Diligence Directive)



What is Corporate Sustainability Due Diligence Directive?

- A **common** European set of **binding** rules to hold companies liable for harm done to human rights and the environment in their supply chains.
- It is horizontal in scope and mandatory in application.
- It includes upstream and some downstream part of value chains.



Who will it apply to?

- European companies with more than 500 employees and a worldwide annual turnover of more than €150 million.
- Non-EU companies with over €150 million net turnover generated in the EU, three years from the entry into force of the directive.
- Some **risk sectors** (textiles, agriculture, food manufacturing, trade of mineral resources, construction): companies with over 250 employees and with a turnover of more than 40 million euro – of which at least 20 million are generated in one of the sectors.
- All companies active in the EU market, even if their headquarters is outside the EU.



What do companies have to do?

- Companies including textile brands to identify, mitigate and avoid actual and potential adverse impacts on human rights and the environment.
- End those business relationships when these impacts cannot be prevented or ended.
- Adopt and put into effect a **transition plan for climate change** mitigation, in line with the Paris agreement.



What penalty will companies face for failure?

- First, victims can claim reparations from a company in a European court.
- Second, EU's national supervisory bodies to sanction companies if they find company's failure/negligence to implement their due diligence procedures. The sanctions can go as high as 5% of a company's global turnover.
- A period of five years to bring claims by those concerned by adverse impacts (including trade unions or civil society organisations).



What it means for Bangladesh?

An **opportunity**:

A **harmonised** and **common** EU level due diligence legislation would minimise confusion over different interpretations of responsible business conduct.

Brands and buyers from the EU and third countries can be held accountable by both suppliers and workers.

Also a **responsibility**:

Brands to bear responsibility for suppliers' treatment of workers and the environment.

Hefty fines in Europe would push EU brands and retailers toward suppliers best in compliance.

To remain competitive, Bangladeshi suppliers would need to check any violation of worker rights and environmental standards in their operations.



What is the EU doing in Bangladesh?

- A comprehensive labour reform under the **EU-BGD National Action Plan (2021-2025)**, key to raise Bangladesh's profile as a reliable sourcing destination.
- “**Team Europe Decent Work Initiative**”, to prepare for Bangladesh for the directive and to promote decent work through building skills and a social protection architecture.
- Raising awareness and promoting social dialogue involving all three stakeholders – Government, industry, and workers.

Questions

