

What Does the EU Corporate Sustainability Due Diligence Directive Mean for Bangladesh's Ready-Made Garment Sector?

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Abstract

This paper provides a critical assessment of the European Union (EU) Corporate Sustainability Due Diligence Directive (CSDDD) and its implications for Bangladesh's ready-made garment (RMG) sector. This paper analyses both the regulatory challenges the CSDDD poses and the strategic opportunities it presents for policy reform in the global textile sector following the Rana Plaza collapse (2013). While the CSDDD encompasses both human rights and environmental due diligence, this paper addresses the labour and human rights impacts in light of Rana Plaza as a defining human catastrophe. It highlights how Bangladesh can strengthen its position as a responsible and resilient actor in global apparel supply chains.

Background

On the morning of 24 April 2013, the nine-story Rana Plaza building collapsed in Savar, a suburb in Dhaka, Bangladesh housing multiple garment factories and thousands of workers. The disaster claimed over 1,100 lives and injured 2,500 people, marking it as the deadliest accident in the global garment industry and one of the worst industrial disasters in the modern-day history of construction. The tragedy exposed deep-rooted structural vulnerabilities of Bangladesh's RMG sector, which had long been characterised by unsafe working conditions, weak regulatory oversight and intense global production pressures driven largely by major multinational brands.

As images of this tragic event were broadcast to the world, Rana Plaza was framed in the international media as a global 'wake-up call' for governments, factory owners, fashion brands and consumers alike. This was not only a national tragedy for Bangladesh, but one that reverberated across borders. At the time, the Rana Plaza complex manufactured apparel for 129 international brands including H&M, ZARA, Walmart and Primark. The collapse laid bare the grim realities behind the US\$2.4 trillion fashion industry, which heavily relies on the labour of more than 40 million of the world's poorest workers. Four million of these workers are in Bangladesh, the majority of whom are women working in dangerous and degrading conditions.

It was evident that business in the garment sector could no longer continue as usual without the urgent collective international action to reform safety standards, labour laws, fair wages and workers' welfare.

The Role of the EU Post-Disaster

At the time of the Rana Plaza collapse in 2013, the EU was Bangladesh's largest trading partner and a major market for its RMG exports, with 60% of its clothing going to Europe (European Commission, 2013). This significant economic relationship meant the Union faced intense scrutiny and held both a moral and normative responsibility to act following the Rana Plaza disaster. The international community looked to the EU to demonstrate a form of *moral generosity* in response to the disaster. Normatively, as an international standard-settler, the EU operationalised its values-based trade policy into concrete action, by reaffirming its credibility and influence as a global actor committed to upholding international labour and human rights standards.

From Voluntary Initiatives to Legally Binding Obligations

The Rana Plaza collapse catalysed two major international initiatives aimed at improving the governance of global supply chains: the Accord on Fire and Building Safety (May 2013) signed by global unions, major European fashion retailers and brands; and the Alliance for Bangladesh Worker Safety (July 2013), agreed upon by retailers and brands primarily from North America. Both the Accord and the Alliance sought to inspect factories and enforce safety standards in garment factories over a five-year period. Industry experts argue that the Accord was the most innovative and successful initiative in global supply chain governance due to its legally binding nature. It gave over 200 Bangladeshi and international trade unions leverage to hold international brands contractually accountable to ensure factory safety and remediation of garment workers (Clean Clothes Campaign, 2021; Worker Rights Consortium, 2018).

However, a vast number of factories remained outside the scope of both the Accord and the Alliance, as participation in these initiatives were voluntary (Clean Clothes Campaign, 2023). Consequently, compliance and remediation efforts in non-signatory factories remained inconsistent and largely unmonitored in global supply chains. Ten years after the introduction of both initiatives, the Fashion Revolution's Global Transparency Index revealed that more than half of the world's 250 largest fashion brands still refused to disclose their suppliers and the overwhelming majority did not report how many workers in their supply chains were paid a living wage (Fashion Revolution, 2023).

This persistent lack of accountability demonstrated that voluntary initiatives alone were insufficient to enforce long-term labour reform in global supply chains. Without legally binding obligations, companies could evade labour and human rights responsibilities with little consequence. There was a growing need to move beyond voluntary commitments toward a stronger regulatory framework mandating due diligence to promote greater sustainable and responsible business conduct across the industry, marking a significant paradigm shift towards mandatory legislation.

The EU Corporate Sustainability Due Diligence Directive

Adopted by the European Parliament on 24 April 2024, the EU's CSDDD represents a significant shift in the governance of global supply chains by transforming voluntary corporate responsibility standards into legally binding obligations. The Directive seeks to address long-standing regulatory gaps by requiring companies to identify, prevent, mitigate and account for adverse human rights and environmental impacts throughout their global value chains. In doing so, it incorporates principles from the United Nations (UN) Guiding Principles on Business and Human Rights, the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises and International Labour Organisation (ILO) conventions into enforceable EU law (European Commission, 2024).

The CSDDD applies to EU-based companies with more than 1,000 employees and a global turnover exceeding €450 million, as well as to large non-EU companies generating equivalent revenue within the EU market (European Commission, 2024). Under the Directive, global brands are required to regularly assess their value chains, establish complaint mechanisms and impose penalties when violations occur. Importantly, the Directive's reach means that its obligations extend beyond Europe's borders, directly affecting export countries that supply to EU markets, including Bangladesh.

This shift from voluntary commitments to mandatory human rights due diligence represents a direct response to the apparel industry's failure to self-regulate, despite ongoing scrutiny following the Rana Plaza collapse. Therefore, the CSDDD reflects the EU's attempt to institutionalise accountability by rebalancing responsibility onto multinational brands to embed stronger labour and human rights protections within the structures of international trade law.

What does this mean for Bangladesh?

For Bangladesh, the CSDDD carries particular significance. The country is the world's second-largest garment exporter after China, with over 4,500 factories producing 94% of its exports to the EU – its largest trading partner (European Commission Directorate-General for Trade, 2025; Bangladesh

Labour Foundation, 2025). The RMG sector generated US\$47 billion in 2023 and accounts for 11% of national GDP (Impact Investment Exchange, 2025).

This economic dependence is compounded by a looming trade shift. Bangladesh currently benefits from duty-free access to EU markets under the Everything but Arms Agreement (2001), a preference granted to least-developed countries (LDCs) on exports including textiles and garments. However, this preferential access will end after Bangladesh's anticipated graduation from LDC status in November 2026, following assessments by the UN Committee for Development Policy (Impact Investment Exchange, 2025; Razzaque, et al., 2024). Such economic dependence leaves Bangladesh with limited choice but to actively engage with the Directive and demonstrate credible compliance.

Consequently, the Directive poses a structural challenge to reform human rights measures in Bangladesh's RMG sector, while also presenting a strategic opportunity to catalyse tangible economic growth and showcase to the world that Bangladesh is capable of being a responsible global partner.

The CSDDD's Implications for Bangladesh's RMG Sector

Challenges in Measuring Wage Compliance

Under the CSDDD, companies are required to ensure their operations do not contribute to wage violations and that workers receive a 'fair wage and an adequate living wage' in line with UN Sustainable Development Goal 8 on promoting Decent Work and Sustainable Economic Growth (European Commission, 2024; United Nations, 2015). However, what constitutes a fair wage remains highly ambiguous in Bangladesh, where low wages are pervasive and previous revisions to the minimum wage (in 2018 and 2023) failed to meet workers' demands, which sparked widespread protests across Dhaka and surrounding industrial areas. This uncertainty creates significant challenges for global brands to measure compliance and implement effective due diligence across complex supply chains. Without context-specific benchmarks, a 'one-size-fits-all' approach to determining living wages cannot adequately reflect Bangladesh's diverse economic and social realities.

Lack of Accountability in identifying Child Labour

While the current Bangladesh Labour Act of 2006 prohibits child labour in the country's garment industry, its presence persists in both the formal and informal sectors that feed into the lower tiers of international supply chains. A study by Nottingham University (Kliuha et al. 2025) reported that, on average, one minor is employed for every 15 adults working in Bangladesh's RMG sector. About one-fifth of these children were employed in factories producing exclusively for the export market, while the remaining 80% worked in subcontracted or mixed-contracted factories. Due to the lack of regulatory oversight nationally and internationally, children in Bangladesh often endure long working hours, hazardous conditions, inadequate wages, excessive overtime and various forms of abuse, particularly in subcontracted factories supplying export markets rather than those directly linked to international buyers (Kliuha et al., 2025).

Despite the CSDDD requiring global brands to identify, prevent and mitigate child labour across their value chains, the Directive's scope is limited as it only applies to companies with more than 1,000 employees and an annual turnover exceeding €450 million (European Commission, 2024). This narrow coverage allows many small and medium-sized businesses who dominate the sector (around

70%) to fall outside its jurisdiction, potentially evading social responsibility obligations within the textile industry (Impact Investment Exchange, 2025).

Lack of Technical Capacity in Traceability Compliance Data

Another significant barrier to strengthening human rights due diligence is the lack of technical capacity and robust data-tracing systems within Bangladesh's RMG sector. The apparel industry's supply chain is among the most complex of any sector – encompassing farms, mills, dye houses and factories – yet it can be suffused with poor and sometimes exploitative practices (Bovy & Hodges, 2025). Data from RMG factories is often difficult to ascertain, frequently being closely guarded or inconsistently reported in various supply chains, making traceability difficult to validate and verify by an independent third-party (Abdullah, 2023).

Meeting the CSDDD's new reporting requirements on suppliers and factories in Bangladesh legally requires tracing the origins of every garment from the raw material to the finished garment, a task that is demanding and costly, and one that necessitates specialised training and digital literacy. Currently, many textile suppliers in Bangladesh are insufficiently prepared to deliver this level of traceability and transparency, as they lack the digital infrastructure and technical skills in data management to accurately collect, verify, report and frequently update data in their value chains (Schröder, 2024; Razzaque, 2025; Rubel, 2025). In turn, poor traceability data restricts global brands, auditors and unions from monitoring and remediating violations of workers' wellbeing, labour conditions and occupational safety across apparel supply chains.

Automation

While automation in Bangladesh's RMG sector remains limited, with only three production phases (spinning, dyeing and finished fabric preparation) being partially automated, the regulatory terrain introduced by the CSDDD is likely to accelerate this process (Bangladesh Labour Foundation, 2025). As global apparel brands adopt more digital tools to increase productivity and monitor supply chain compliance in the RMG sector, pressure will likely mount on Bangladeshi manufacturers to automate production processes to maintain competitiveness and compliance.

A recent study conducted by the Bangladesh Labour Foundation and BRAC University (2025) found that while automation has significantly increased productivity, it has also led to a 31% reduction in the workforce, particularly within the sewing, sweater and cutting sections. Those who face the greatest risk of job displacement are primarily women who are more often employed in lower-skilled helper roles than men are (Business and Human Rights Centre, 2025).

Addressing the Challenges Ahead

While the implementation of the EU CSDDD presents significant challenges, it also offers a strategic opportunity for Bangladesh to take an active role in advancing sustainable reform beyond the country's graduation from LDC status in 2026. Given that the EU remains Bangladesh's largest export market, aligning with the CSDDD will be crucial for sustaining trade prospects and strengthening partnerships beyond the country's graduation from LDC status. The Directive can serve as a catalyst for Bangladesh to take responsibility, innovate and demonstrate on the global stage that the Rana Plaza collapse does not merely define the country's garment sector.

Effectively responding to these challenges requires a ‘multi-stakeholder governance approach’, combining the binding international obligations of the CSDDD with multiple actors beyond the strict purview of the central government. Drawing on Fransen and Kolk's (2007) analysis of multi-stakeholder standards in global rule-setting, this approach recognises that effective governance emerges through ‘consensus-building, knowledge-sharing and interest representation’ across diverse stakeholder groups (p. 2). In the context of Bangladesh’s RMG sector, this ‘multi-stakeholder framework’ encompasses governments, trade unions, NGOs, industry associations and global brands collectively contributing to regulatory compliance, monitoring and capacity-building to strengthen human rights due diligence. Such collaboration enables critical ‘synergies’ where stakeholders and companies bring different expertise that, when combined, can drive meaningful organisational change (Fransen & Kolk, 2007, p. 5).

By embedding the knowledge of local actors at a grassroots level within the CSDDD framework, policies can satisfy external compliance requirements, while promoting inclusivity and local ownership to deliver tangible economic, social and industry benefits in Bangladesh. This multi-stakeholder approach positions the Bangladeshi government, civil society, trade unions and industry representatives as collaborative partners in overcoming systemic challenges, ensuring compliance with the CSDDD and achieving long-term sustainable reform in the RMG sector.

Specific Areas for Further action

Wage Compliance and Decent Work

Ensuring a ‘living wage’ in Bangladesh’s RMG sector under the CSDDD can be reinforced through the European Commission providing stronger due diligence guidance for global brands, including clearer standards for wage reporting, auditing procedures and supplier accountability. This guidance can outline how companies might adopt responsible purchasing practices such as pricing and lead times, to ensure suppliers meet wage standards and prevent wage suppression from garment workers. In line with Fransen and Kolk's (2007) framework, such guidance should be informed by meaningful consultation with affected garment workers and organisations representing them, such as Bangladeshi trade unions and local NGOs through mechanisms like focus groups, joint committees and grievance channels such as worker helplines. This multi-stakeholder approach facilitates ‘knowledge-sharing’ and ‘consensus-building’ across workers, unions and brands (Fransen & Kolk, 2007), strengthening local ownership and ensuring policies reflect the realities and needs of garment workers.

Addressing Child Labour

Despite government regulations and NGO and brand-led initiatives, child labour still exists in lower tiers of apparel supply chains due to many factories in Bangladesh’s RMG sector using informal and subcontracted workers. The CSDDD’s requirements for international brands to actively identify and prevent child labour presents an opportunity for Bangladesh to strengthen monitoring mechanisms and integrate independent auditing systems. As Fransen and Kolk (2007) argue, such collaboration ensures ‘all parties ... have a say in matters, thus increasing authority of decision making and establishing good governance’ (p. 4). To achieve this, the Bangladeshi government can work with international brands and local NGOs to incentivise compliance across all supplier tiers, including subcontracted and export operations through tax benefits, preferential export licensing or subsidised

training programs (Kliuha et al., 2025). By combining international oversight under the CSDDD with local accountability mechanisms, Bangladesh can enhance multi-stakeholder cooperation to strengthen labour rights protections, thereby reinforcing its credibility as a responsible trading partner.

Capacity Building and Technical Training

Fulfilling the technological requirements of the CSDDD presents an opportunity for Bangladesh to demonstrate global leadership in building robust technical capacity systems within the RMG sector to ensure data flows accurately and seamlessly across global supply chains from production to recycling. Fransen and Kolk (2007) emphasise that local involvement enhances ‘the credibility and legitimacy of multi-stakeholder standards’ by ensuring that Bangladeshi workers and local organisations are active participants (p. 10). Training programs (in digital literacy, data management and traceability systems such as blockchain and radio-frequency identification tagging) can be co-designed and implemented by the Bangladeshi government, garment worker associations, NGOs and international agencies (Schröder, 2024). Such partnerships ensure technical training is not merely an EU-imposed requirement but a shared responsibility that reflects the international expectations of the CSDDD and empowers Bangladeshi garment workers with the skills, knowledge and tools to advance their professional development.

While these capacity-building initiatives may require investment in the short-term, they can provide long-term benefits by upskilling workers, creating new employment opportunities and supporting more circular production processes in Bangladesh’s RMG sector. In turn, this can equip Bangladesh with the appropriate infrastructure to comply with the CSDDD and elevate their standing as a reliable sourcing destination, which simultaneously can have the potential to bolster trade across the country.

Automation

As automation becomes more integrated into Bangladesh’s RMG sector, it presents opportunities to enhance efficiency, reduce errors, lower carbon emissions and uphold the human rights of workers through responsible implementation. A multi-stakeholder approach – engaging the Bangladeshi government, global brands, trade unions and industry associations – can support a just transition by identifying and mitigating impacts on workers’ rights, safety and job security, to ensure the rights of garment workers are protected.

Upskilling and reskilling initiatives can be implemented through partnerships with industry associations such as the Bangladesh Garment Manufacturers and Exporters Association. These initiatives would provide workers, particularly helpers, many of whom are women and vulnerable to displacement with practical training in areas such as automated sewing, digital quality control, machine operation and other emerging technologies (Ethical Trading Initiative, 2025). Automation simulation training programs supported by the Bangladeshi government can offer hands-on experience in a controlled environment, helping garment workers build confidence, resilience and technical competence. Global brands can complement these efforts by contributing to training resources and facilitating knowledge-sharing with factories to support responsible and inclusive automation adoption.

A Way Forward

The challenges ahead for Bangladesh's RMG sector are complex, requiring a multi-stakeholder approach to address human rights due diligence measures, including wage compliance, child labour risks, traceability and automation. Simultaneously, the EU – as a primary consumer of Bangladesh's RMG exports – holds a moral and regulatory responsibility to support capacity-building initiatives by providing the appropriate resources, guidance and oversight to facilitate compliance with human rights due diligence in the textile industry. The period before full enforcement of the CSDDD offers a critical window for Bangladesh to engage in multi-stakeholder initiatives with government, industry and civil society actors, demonstrating that the country can lead the global garment industry responsibly while ensuring garment workers' needs, rights and wellbeing remain central to all reform efforts – an approach essential for achieving meaningful and sustainable developmental change.

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