Corporate climate action must not be ignored

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Today, environmental responsibility is no longer just a moral obligation but a business imperative, driven by the dual forces of public expectation and financial prudence. A survey by Cone Communications revealed that 87 percent of consumers would buy from a brand that advocates for issues they care about, while 61 percent of millennials consider a company's environmental and social goals when seeking employment. The message is clear: companies that fail to prioritise sustainability risk losing their market share and talent pool.

However, despite this growing corporate interest in climate action, the intersection of such efforts with global inequities remains critically overlooked. While multinational corporations proudly announce their climate goals, the real impact of their actions is often felt most acutely in vulnerable nations like Bangladesh—countries on the frontline of climate change.

The world's largest corporations are responsible for a disproportionate share of global carbon emissions. According to the Carbon Disclosure Project (CDP), the top 100 companies account for a staggering 71 percent of global greenhouse gas emissions. In theory, this concentration of responsibility means that corporate action could have an outsized impact in mitigating the climate crisis. However, the complexities of global supply chains, resource extraction, and waste management present serious challenges, especially when corporate climate strategies are applied to developing nations.

Companies like Unilever, Coca-Cola, and Logitech are positioning themselves as leaders in corporate sustainability. Their ambitious climate commitments—such as achieving net-zero emissions—are commendable on paper. But a deeper look reveals an uncomfortable reality about the fairness and feasibility of their efforts in regions of the Global South like Bangladesh, where local realities often clash with corporate ambitions.

While these corporate giants have the power to either mitigate or exacerbate the crisis, the ethical complexities and global inequalities surrounding their climate strategies demand a more critical examination, especially when applied to nations on the climate frontline. The path they choose will profoundly shape the planet's future, but the complexity of corporate climate action raises unsettling questions: Are we witnessing genuine sustainability efforts, or is this another chapter of corporate greenwashing?

Take Unilever, for example. The company has made bold commitments to achieving net-zero emissions across its value chain by 2039 and reducing absolute green house gas (GHG) emissions by 2030. Through initiatives like the Climate Transition Action Plan (CTAP) and a one billion euro investment in Climate & Nature Fund, Unilever has championed deforestation-free supply chains and sustainable farming practices. However, while the headlines are grand, the reality is far more nuanced.

Unilever's strategy depends heavily on its vast and fragmented supply chain, spanning 190 countries and countless suppliers, many of whom operate in regions with weak regulatory frameworks, which can provide little protection against environmental exploitation. The burden of meeting Unilever's climate goals often falls disproportionately on suppliers in developing nations, including Bangladesh, where environmental protections are lax, and local communities have limited capacity to shoulder additional costs.

The danger lies in the tendency for corporate climate action to prioritise global market demands over local environmental and social needs. For instance, the pressure to meet global net-zero targets often results in resource extraction, waste disposal, and economic burdens being shifted to countries like Bangladesh.

Accusations of greenwashing continue to plague many corporate sustainability efforts, including those of Unilever. In 2021, the UK's Competition and Markets Authority (CMA) launched an investigation into the environmental claims of several multinational corporations, including Unilever, questioning whether their marketing practices were misleading consumers about the true environmental impact of their products. These concerns highlight a broader doubt about corporate transparency in sustainability efforts.

The challenge of greenwashing is even more apparent in Coca-Cola's case. The company has pledged to achieve net-zero emissions by 2050 and aims to achieve a 25 percent reduction in absolute GHG emissions by 2030, paired with initiatives to use 100 percent renewable electricity and promote recycled polyethylene terephthalate (PET) in packaging. This positions the beverage giant as a major player in corporate climate action.

Activists place washing machines in front of the Deutsche Bank headquarters to protest against greenwashing in Frankfurt, Germany on May 19, 2022.
FILE PHOTO: REUTERS

But Coca-Cola has long been the poster child of the plastic waste crisis, particularly in developing countries like Bangladesh, where single-use plastic contributes to mounting environmental degradation. The contradiction is glaring: how can a company build on a high-consumption, high-waste model aligning with sustainability principles? Coca-Cola's efforts to recycle and reduce waste in developing countries are often overshadowed by the sheer scale of plastic pollution that it generates. In Bangladesh, where waste management infrastructure is already overburdened, the influx of plastic waste from market leaders only exacerbates local environmental challenges.

The focus on circular economy initiatives, while important, often remains a public relations effort rather than a transformative change in business practices that could reduce the burden. Despite its sustainability rhetoric, a lawsuit filed in Washington DC in 2021 further accused Coca-Cola of making misleading claims about the recyclability of its plastic bottles, alleging that the company's sustainability promises were deceptive. The plastic paradox—the tension between high-consumption models and sustainability goals—remains unresolved.

Logitech's push to become "climate positive" by 2030, having already achieved 94 percent of its renewable energy goals, meaning it plans to remove more carbon from the atmosphere than it emits, presents the tech company as a sustainability pioneer. It was the first consumer electronics company to place carbon impact labels on its products, a commendable step towards transparency. Yet, as with Unilever and Coca-Cola, the ethical implications of Logitech's climate strategy require closer scrutiny.

The tech industry's reliance on rare earth minerals and metals extracted from regions with lax environmental and labour regulations casts a shadow over its green credentials. Logitech's reliance on carbon offsets raises concerns. While offsets can play a role in compensating for residual emissions, they often distract from the harder work of reducing emissions at the source.

In countries like Bangladesh, which is becoming a dumping ground for e-waste, the tech industry's environmental impact goes far beyond operational carbon footprints. The lack of robust e-waste management systems means that discarded electronic devices pose a growing risk to public health and the environment. Logitech, like other tech giants, must address these broader impacts if its sustainability efforts are to be truly meaningful.

Bangladesh is one of the world's most climate-vulnerable nations, contributing less than 0.5 percent of global emissions while disproportionately suffering from the impacts of climate change. Against this backdrop, the involvement of multinational corporations in Bangladesh presents both opportunities and risks.

Multinational corporations could play a vital role in supporting Bangladesh's climate resilience. Unilever, for instance, could invest in climate-smart agricultural practices, supporting local farmers with sustainable irrigation systems and renewable energy infrastructure. Coca-Cola, given Bangladesh's growing waste management challenges, could promote circular economy models by establishing recycling facilities and eliminating plastic waste. Logitech, with its expertise in tech innovation, could help develop e-waste management systems, an area where Bangladesh urgently needs support. However, these initiatives must be grounded in local realities, ensuring that they benefit Bangladesh's most vulnerable communities.

The danger lies in the tendency for corporate climate action to prioritise global market demands over local environmental and social needs. For instance, the pressure to meet global net-zero targets often results in resource extraction, waste disposal, and economic burdens being shifted to countries like Bangladesh. The benefits of these initiatives often accrue in the Global North, while the Global South pays the price.

One of the most problematic aspects of corporate climate action is the tendency to outsource responsibility to developing nations. While companies in the Global North race to achieve net-zero emissions and adopt greener practices, the costs—both environmental and economic—are frequently passed down to suppliers and consumers in the Global South. These dynamic risks create a new form of colonialism, where wealthy nations and corporations shift the burden of climate mitigation onto poorer countries, all while reaping the benefits of a "green" image.

This imbalance reinforces global inequalities: while consumers in wealthier nations can feel good about buying "sustainable" products, the environmental and social costs of producing these goods remain hidden, borne by those least able to bear them. In this sense, corporate climate action risks perpetuating the very injustices it seeks to address.

For Bangladesh, this reality is already playing out. Achieving its ambitious climate goals under the Paris Agreement will require significant financial and technical support—support that is unlikely to come from domestic sources alone. If multinational corporations genuinely want to contribute to Bangladesh's climate resilience, they must move beyond surface-level commitments and engage in meaningful, long-term partnerships that prioritise local needs and knowledge.

The climate crisis demands urgent, transformative action. While multinational corporations have a significant role to play, their sustainability efforts must be more than public relations exercises. To truly address the climate crisis, companies must embrace an integrated approach—one that acknowledges the inequalities embedded in global supply chains and prioritises ethical, long-term solutions.

Corporate climate action cannot be merely about offsetting emissions or recycling a few bottles. It must confront the systemic injustices that allow wealthy nations and corporations to benefit from the Global South's resources while leaving local communities to endure most of the climate impacts. Corporate climate action cannot simply be a public relations exercise—these multinational companies must be held accountable for the full spectrum of their environmental and social impacts.

Charting a path ahead for the RMG sector

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Bangladesh has emerged as an economic success story, primarily through its booming ready-made garments (RMG) sector. The country's exports in this industry surged from $23.5 billion to $47.38 billion between 2013 and 2023, lifting millions out of poverty and gaining international recognition. Key factors driving this growth include a cost-effective workforce, dedicated entrepreneurs, strong financial systems, and political stability, resulting in a remarkable seven percent annual growth rate. Bangladesh is now the world's second-largest apparel exporter, solidifying its status in the global fashion market.

The Covid pandemic, global supply chain disruptions, and the Russia-Ukraine conflict have revealed the vulnerability of Bangladesh's economy, which relies heavily on a single industry. This dependence has resulted in insufficient revenue from other sectors to meet financial obligations. The country is facing high inflation and unemployment, largely due to poor policy decisions and a lack of economic diversification. Overall, Bangladesh is grappling with significant economic challenges.

Despite significant growth in the RMG industry, Bangladesh faces numerous challenges, particularly its impending transition from Least Developed Country (LDC) status by 2026. Following this graduation and a subsequent three-year grace period ending in 2029, Bangladesh will lose its duty-free, quota-free, and preferential Rules of Origin benefits for apparel exports to the European Union, a crucial market that represents nearly half of its RMG exports.

The loss of LDC-specific trade preferences will raise Bangladesh's effective tariffs by approximately 5.7 percent, potentially causing a 14.3 percent drop in apparel exports, equating to a loss of $5.37 billion annually. In response, Bangladesh has launched an ambitious plan to reach a $100 billion annual export target by 2030. This optimism is supported by the country's strong historical growth, policies to enhance backward linkages, product diversification, and a stable political environment, which collectively suggest a promising future for its export sector.

Bangladesh's economy relies heavily on the RMG sector, which faces numerous challenges.
FILE PHOTO: STAR

To achieve its policy goals, the nation must strategically enhance value addition, particularly in the RMG sector. Currently, value addition has stagnated at 50-65 percent over the past decade. By increasing the use of domestic fabrics and yarns, Bangladesh could elevate this figure to 70-75 percent, which would significantly boost net export earnings.

Bangladesh produces 85 percent of the yarn needed for knitted cotton fabrics, but only meets 35 percent of the demand for woven garments and man-made fibre (MMF) based apparel domestically. The country faces challenges with limited domestic production of MMF materials. Enhancing the production of woven and non-cotton yarns and fabrics could significantly increase Bangladesh's export earnings.

Bangladesh can boost its apparel manufacturing sector by leveraging MMF, such as polyester, to meet the growing global demand for non-cotton textiles. Currently, MMF constitutes 77.6 percent of global fibre production, while natural fibres, including cotton, account for 22.4 percent. This trend is driven by consumer preferences for functional and stylish clothing, which MMF-based garments can provide. Additionally, MMF products typically command higher prices and can yield greater export revenue compared to cotton-based apparel.

Bangladesh currently holds a modest 16.9 percent share of MMF apparel exports, significantly less than China (42.8 percent) and Vietnam (46.9 percent). To enhance its position in the growing MMF market, Bangladesh needs to improve its MMF manufacturing capabilities. The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) aims to increase MMF-based garment production to 40 percent by 2030. By expanding MMF production, Bangladesh can better meet global demand, diversify its ready-made garment sector, and enhance domestic value addition in the supply chain.

The rapid scaling of MMF production by 2030 faces three main challenges: the need for significant foreign capital investment, a shortage of specialised knowledge and skills in Bangladesh to operate the required capital-intensive machinery, and a lack of incentive programmes to attract investors to MMF manufacturing facilities.

The remarkable growth in MMF apparel exports of countries like China and Vietnam was significantly driven by foreign investment. Foreign investment brings in foreign currency, machinery, technology, and expertise to develop high-value industries like the MMF. In Bangladesh, the Bangladesh Investment Development Authority (BIDA) is responsible for attracting investment and should serve as the central coordinating body to streamline bureaucratic processes and instil confidence in foreign investors. BIDA should analyse successful markets and devise a comprehensive and best-in-class strategy. A major challenge for foreign investors in Bangladesh is the absence of downstream liquidity in the capital markets, which hinders their ability to exit or diversify their investments. BIDA should spearhead collaboration between government agencies and the private sector to address this issue.

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Saleudh Zaman Khan, managing director of NZ Textile and a vice president of the Bangladesh Textile Mills Association, shared in an interview how Bangladesh can rapidly gain a foothold in the highly competitive MMF apparel market, which is currently dominated by China and Vietnam. "Bangladesh government must adopt a fast-track strategic approach and offer substantial incentives to encourage the manufacturing of MMF and MMF-based garments," he said. "The incentive programmes must ensure the long-term sustainability of MMF manufacturing facilities by providing additional incentives to compete against foreign competitors, especially China and Vietnam," added Saleudh. He also emphasised that these incentives should be extended to both local and foreign investors in the MMF production sector, in order to promote and reinforce the domestic supply chain.

Bangladesh's dependence on imported cotton and MMF poses risks such as price fluctuations, supply chain issues, and geopolitical tensions. To mitigate these challenges, establishing a strategic reserve for cotton and MMF is recommended, allowing for a reliable raw material source during disruptions. This reserve would require specific storage facilities for at least a six-month supply and could be developed without direct investment by incentivising suppliers to store their inventory within the country. This approach would help spinning mills access materials quickly and cost-effectively, saving on inventory costs while ensuring prompt delivery.

Finally, Bangladesh needs to broaden its economic base, and the government should enhance research funding in science and technology to reduce dependence on the garment sector. Bangladesh's graduation from LDC status will allow the country to diversify its product offerings and strengthen its supply chain for higher-value goods. This transition encourages the use of advanced technology and automation to boost productivity and profitability. To comply with stricter origin requirements, particularly the "double transformation" criterion for the EU market, establishing strong backward linkages will be essential once preferential trade access ends.