

<http://blog.en.erste-am.com/2015/04/30/bangladesch-current-situation-textile-industry/>

Bangladesch - The current situation in the textile industry

Paul Severin



© © iStock

Last Friday, 24 April marked the second anniversary of the collapse of the Rana Plaza complex in Bangladesh, in which more than 1,100 people perished. Immediately following the disaster, which represented the climax of a string of similar events in the textile industry there, the Bangladesh Memorandum was adopted. ERSTE-SPARINVEST was one of the first major asset management companies to join this initiative as a signatory. In this interview, Alexander Osojnik, Senior ESG Analyst at Erste Asset Management (EAM), speaks about developments in the global textile industry.

Mr Osojnik, it was two years ago that the Rana Plaza complex collapsed, killing more than 1,100 people. How have labour conditions in the textile industry changed since then?

Osojnik: In the wake of the Rana Plaza catastrophe, initiatives in the industry were quickly launched to improve working conditions in Bangladesh. Most of the companies that had operations there have paid into a compensation fund for the victims of the catastrophe. At the same time, however, the pace of change in the actual conditions is sadly not as quick. Naturally, time is needed for deep-reaching changes to occur. In order for this to happen, as a minimum it would be necessary for decision-makers in industry and politics to push forward ahead with these changes. From our point of view, progress has been insufficient in this regard. Even though the latest headlines on catastrophes from Bangladesh are not related to the textile industry, but rather to the collapse of a cement factor with 100 deaths in March 2015, the news still shows how fragile working conditions continue to be there.

How has the textile industry reacted to the slow improvement in working conditions in Bangladesh?



Alexander Osojnik is Senior ESG Analyst of Erste Asset Management (EAM) in Vienna.

Osojnik: Unfortunately, in parallel with the slow improvement in working conditions in Bangladesh, we are also seeing a trend to relocate to other countries. New hotspots are developing in even cheaper locations, such as Myanmar. For roughly the last one and a half years, mainly Korean and Chinese companies have been developing new locations for cheap garment production. Cambodia and Vietnam are also “profiting” from this trend. For example, Adidas has closed four of its seven production sites and relocated to Vietnam. Nike has also moved parts of its production from Bangladesh to Vietnam. This is unfortunate, because almost all of the initiatives launched in the wake of the Rana Plaza catastrophe were limited to Bangladesh.

Are textiles producers developing a greater sense of responsibility through their interaction with investors?

Osojnik: There are a number of signs that the awareness of major international brand manufacturers is changing. At the same time, we do not really see an adequate trickle-down effect to the actual producers working in the countries. Naturally, it takes time to improve the situation of the seamstresses and other workers over the long term. At the same time, these processes are being overshadowed by the same economic considerations which originally led to this kind of cheap production: it is cheaper to demand a signature from a supplier on a code than it is to build up a controlling system with a deeper view and to renovate factories.

Improving working conditions is a part of the process of engagement. What do you believe is the next step on the path to fair production conditions?

Osojnik: It is not possible to expect more sustainability and at the same time increase cost pressure in production. Since the share of production costs in the final sales price is already marginal, moderate additional costs should be economically justifiable in the interests of fair production. Consumers also need to develop an awareness that it is hardly possible to produce jeans under socially or economically sustainable conditions for a price of less than 5 euros. Primark and Kik are examples of this price policy. Nevertheless, our research has shown that even brands offering what is ostensibly luxury apparel do not always guarantee higher social and ecological standards. Thus, poor working conditions probably do not stem from demand for cheaper and cheaper products; they are probably also the result of manufacturers’ business policies. Unfortunately, an asset manager only has limited possibilities to change the way consumers think about cheap clothing. However, as an investor in listed companies we do have the power to decide how we invest our customers’ money.

Are there also engagement activities with the major apparel retailers and discounters for example? Because of their market power, isn't it ultimately these manufacturers that dictate the conditions?

Osojnik: It's beyond question that a fundamental change in working conditions in the textile industry in Asia and later in Africa is only possible with the cooperation of the major apparel companies. There are also efforts to push for changes in this regard. We are combining our activities with our international engagement partner, Global Engagement Services GES, which is able to exert the greatest influence on the companies, thanks to the larger fund volumes which it represents. GES is also in contact with H&M.

Wichtige rechtliche Hinweise

Hierbei handelt es sich um eine Werbemitteilung. Sofern nicht anders angegeben, Datenquelle ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Erste Asset Management GmbH, RINGTURM Kapitalanlagegesellschaft m.b.H. und ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. Unsere Kommunikationssprachen sind Deutsch und Englisch.

Der Prospekt für OGAW-Fonds (sowie dessen allfällige Änderungen) wird entsprechend den Bestimmungen des InvFG 2011 idgF erstellt und im „Amtsblatt zur Wiener Zeitung“ veröffentlicht. Der vereinfachte Prospekt der ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. wird entsprechend den Bestimmungen des ImmoInvFG 2003 idjF erstellt und im „Amtsblatt zur Wiener Zeitung“ veröffentlicht. Für die von der ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Erste Asset Management GmbH, RINGTURM Kapitalanlagegesellschaft m.b.H. und ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. verwalteten Alternative Investment Fonds (AIF) werden entsprechend den Bestimmungen des AIFMG iVm InvFG 2011 „Informationen für Anleger gemäß § 21 AIFMG“ erstellt.

Der Prospekt, die „Informationen für Anleger gemäß § 21 AIFMG“, der vereinfachte Prospekt sowie die Wesentliche Anlegerinformation/KID sind in der jeweils aktuell gültigen Fassung auf der Homepage www.erste-am.com bzw. www.ersteimmobilien.at abrufbar und stehen dem interessierten Anleger kostenlos am Sitz der jeweiligen Verwaltungsgesellschaft sowie am Sitz der jeweiligen Depotbank zur Verfügung. Das genaue Datum der jeweils letzten Veröffentlichung des Prospekts bzw. des vereinfachten Prospekts, die Sprachen, in denen die Wesentliche Anlegerinformation/KID erhältlich ist sowie allfällige weitere Abholstellen der Dokumente sind auf der Homepage www.erste-am.com bzw. www.ersteimmobilien.at ersichtlich.

Diese Unterlage dient als zusätzliche Information für unsere Anleger und basiert auf dem Wissensstand der mit der Erstellung betrauten Personen zum Redaktionsschluss. Unsere Analysen und Schlussfolgerungen sind genereller Natur und berücksichtigen nicht die individuellen Bedürfnisse unserer Anleger hinsichtlich des Ertrags, steuerlicher Situation oder Risikobereitschaft. Die Wertentwicklung der Vergangenheit lässt keine verlässlichen Rückschlüsse auf die zukünftige Entwicklung eines Fonds zu.

Da es sich hierbei um einen Blog handelt, werden die in den jeweiligen Einträgen angegebenen Daten und Fakten sowie Hinweise nicht aktualisiert. Diese entsprechen dem Redaktionsstand zum oben angeführten Datum. Die jeweils aktuellen Daten und Hinweise in Bezug auf Fonds entnehmen Sie bitte den Angaben unter dem Menüpunkt „Fondssuche“ auf www.erste-am.at.



Paul Severin

Paul Severin has worked at Erste Asset Management since April 2008. Until 2012 he was responsible for the company's product management; he has directed communications and PR activities since April 2012. From 1992 to 2008, he was director of equity fund management and deputy director for institutional funds at Pioneer Investments Austria in Vienna.

His career in the securities business began in 1992 at Constantia Privatbank as a portfolio manager and analyst. He worked as primary analyst at Creditanstalt Investmentbank in Vienna from 1994 to 1999.

He studied international business at Innsbruck University and Marquette University in Milwaukee, WI, USA. Before his university studies, he worked at Dornbirner Sparkasse in letters of credit and export financing.

Paul Severin is a member of the board at ÖVFA (Austrian Association for Financial Analysis and Asset Management) and a CEFA charter holder.