

# Supply Chain

## Fact Sheet for Investors

### The Problem

On October 8 2013, a fire at the Aswad textile mill in Gazipur, Bangladesh killed seven workers and injured approximately 50 others. The Aswad tragedy came less than six months after over 1,100 garment workers lost their lives in the collapse of the Rana Plaza Building in Savar, Bangladesh.



On September 10, 2016 a boiler exploded at the Tampaco Foils Ltd. factory in Bangladesh causing a fire and building collapse that took the lives of 35 workers and injured over 50 more.

The Aswad textile mill, and the factories at Tampaco Foils and Rana Plaza were part of Bangladesh's growing apparel industry, which now produces 80% of the country's exports.

These tragedies show how a company's business decisions have serious consequences for workers. They also show that business decisions carry reputational, operational and legal risks associated with human and labour rights in the supply chain.

To help prevent outcomes like those at Aswad, Tampaco Foils Ltd. and Rana Plaza, responsible investors traditionally:

- ✓ Avoid companies with poor safety policies
- ✓ Encourage companies to develop supplier codes of conduct and supply chain transparency
- ✓ Integrate supply chain metrics into the selection and management of investments
- ✓ Support research and policy on worker protection and engage with companies to improve supply chain management and accountability.

### Investors Take Action

The aforementioned events underline the urgent need to drastically improve working conditions in the garment and textile industries. Since the Rana Plaza collapse, responsible investors have bolstered their efforts, though much work remains to be done.

Bangladesh is the second largest source of apparel imports in Canada. Western brands - including Loblaw's Joe Fresh, Canadian Tire and HBC - sourced materials from Rana Plaza. This led to a sense of urgency for many Western consumers and investors who wanted to be part of the solution.

As a result, in May 2013 a coalition of over 100 companies helped to launch the [Accord on Fire and Building Safety in Bangladesh](#).

The Accord ties participating companies to a legally binding agreement on workplace safety. The Accord's signatories, now more than 200, are required to disclose their suppliers and to undergo rigorous safety inspections. It also ensures workers' rights to refuse dangerous work and to report safety violations without fear of retaliation.

In Canada, investors representing over \$44 billion in assets under management released the Canadian Investor Statement on Bangladesh in 2013. They called on companies to support the Accord and to safeguard human and labour rights in their supply chains.

Internationally, the Interfaith Center on Corporate Responsibility (ICCR) brought together an investor coalition of more than 200 global institutional investors to promote reform of the global apparel sector to guarantee the safety and well-being of workers.

The ICCR's Initiative works to encourage apparel companies to sign the Accord on Fire and Building Safety in Bangladesh. Past and present RIA members were among the signatories.

Furthermore the Rana Plaza Trust Fund raised \$30 million dollars in voluntary contributions by investors to help cover the medical expenses and compensate the victims of the disaster.

A number of companies, primarily in the United States, refused to sign the Accord, fearing that it would make them vulnerable to litigation. Companies including The Gap, Walmart, and Canadian companies HBC and Canadian Tire have instead created their own remedial plan, Alliance for Bangladesh Worker Safety.

## Challenges Ahead

There are a number of challenges to safeguarding human and labour rights in the supply chain in Bangladesh and other countries.

Collectively the Accord and the Alliance cover only about a third of the facilities in Bangladesh. A 2014 report by the NYU Stern School of Business, titled Business as Usual is Not an Option, found that the worst conditions are in facilities that fall outside the scope of these agreements.

Yet there is progress. The Accord's plan of action addresses the complexity of dealing with international supply chain issues. Collaborative efforts involving the Bangladeshi government, trade unions and workers have been recognized as the only way forward. ICCR reports that the Accord is implementing factory inspections and remediation efforts in over 1,600 factories and is training workers. The Accord and the Alliance for Worker Safety have adopted common inspection standards.

Investors recognize the risk inherent in owning companies that are not addressing these issues. In addition to the catastrophic human cost, the Rana Plaza incident had a significant impact on the reputations of the companies involved. In Canada, thousands of consumers checked their labels. Without remediation, the next step would have been consumer boycotts. Responsible investors are actively trying to prevent similar tragedies from happening.

## Challenges at home

The 2018 report published by SHARE "Valuing Decent Work: How Do Canadian Consumer Goods Manufacturing Companies Measure Up?", looks into how companies protect their greatest assets - their people. It is often difficult to ascertain how companies protect their employees. The report points out that Canadian trends are very similar to global trends in this area - growing income inequality, stagnant wages, and precarious work. Poor employment practices also have significant negative consequences for companies. Investors are starting to pay more attention to human capital management and supply chain conditions as a part of their ESG analyses.

## RIA Members and Bangladesh

Follow the links below to learn more about our members' work on supply chain issues in Bangladesh.

[Vancity Insight: ESG Action on Bangladesh](#)  
Vancity and IA Clarington Investments

[Investor Brief: How are Canadian companies addressing safety risks in Bangladesh apparel factories?](#)  
Shareholder Association of Research & Education (SHARE)

[Gaining Ground: Corporate Progress on the Ceres Roadmap for Sustainability](#)  
Joint report by Sustainalytics and Ceres

## For More Information:

To learn more about this topic, please visit the following links:

[Remembering the Victims of Rana Plaza](#)  
Report by the Interfaith Center on Corporate Responsibility

[Rana Plaza, Three Years After](#)  
2016 Report from the International Labour Organization (ILO)

[Business as Usual is Not an Option](#)  
Report from the NYU Stern School of Business

[Canadian Investor Statement on Bangladesh](#)  
Shareholder Association of Research & Education (SHARE)

[CleanClothes.org](#)  
Campaign to improve working conditions in the garment industry

[Valuing Decent Work: How Do Canadian Consumer Goods Manufacturing Companies Measure Up?](#)  
Shareholder Association of Research & Education (SHARE)



### About the RIA

The Responsible Investment Association (RIA) is Canada's industry association for responsible investment. RIA members include fund companies, financial institutions, asset management firms, asset owners, advisors, research firms, consultants and others who practice and support the incorporation of environmental, social and governance (ESG) factors into investment decisions.

Learn more at [www.riacanada.ca](http://www.riacanada.ca)