

Business sustainability depends on relationship with stakeholders: experts

STAR BUSINESS REPORT

The sustainability of a company depends on relationships among its employees, suppliers, customers and the community, said speakers at an ICAB webinar yesterday.

They said entrepreneurs were taking steps to ensure business growth through reporting corporate social responsibility (CSR) activities focusing, for instance, healthcare and education and raising awareness about environmental threats and climate change among employees.

The webinar styled "Environmental, Social, and Corporate Governance (ESG)-Global Perspective" was organised by the Institute of Chartered Accountants of Bangladesh (ICAB).

Resilience against environmental and social threats will ensure more productivity and enhance employees' contribution to the economy's development, they also said.

Md Tazul Islam, minister for local government,

rural development and co-operatives, said governance was a system of rules, regulations, practices and processes by which a company was directed, operated, monitored, controlled and balanced in the interest of its stakeholders.

"Successful businesspeople attain sustainable business growth by taking along corporates, stakeholders, the public and environment. While doing so, the roles of auditors are commendable, as they act as a link between corporates and the public," he said.

"The CAs (chartered accountants) are doing very critical jobs, especially in the field of auditing. Auditing is essential to corporations and society because it is a medium to build a good relationship between corporations and stakeholders," he added.

Mahmudul Hasan Khushru, president of the ICAB, said investors, regulators, consumers and the media see how a company uses energy, manages its waste and pollution, deals with

environmental risks and acts in the wake of disasters.

Citing examples from Europe and America regarding legal requirements and regulatory frameworks of the CSR, he said noncompliance to the CSR policies were often legally deemed punishable offences in those countries.

Their laws enforce that corporations take decisions based on long term sustainability rather than on profits and dividends alone, he said.

"The practice of the CSR in Bangladesh is rather of negative impact, as structural approaches through which the CSR is administered and regulated - often lacked practical applicability," he said.

"Chartered accountants, as information providers to the top management and stakeholders, should take into consideration environmental, social and corporate governance rules while they plan future oversight functions of the company for business," he added.

Mexico wants talks with US over auto content rules

REUTERS, Mexico City

Mexico sought formal consultation with the United States on Friday over the interpretation and application of tougher content rules for vehicles set out in the USMCA trade pact.

In May, Mexico voiced disagreement over the issue in a three-way online virtual meeting when it cited differences with the United States' methods. Canada and Mexico use more flexible interpretations.

"Mexico has identified a divergent position between our governments on the interpretation of... provisions on rules of origin for the automotive sector," Economy Minister Tatiana Clouthier said in a letter.

In her letter on Friday to US Trade Representative Katherine Tai, Clouthier said Mexico wanted to avoid or resolve a possible dispute.

The United States-Mexico-Canada Agreement, the successor to the North American Free Trade Agreement, requires 75 per cent North American content for a vehicle to be considered as being from North America.

The same percentage will apply for so-called essential parts from July 1, 2023, up from 69 per cent now, and compared with 62.5 per cent under the previous trade pact.

But once the level of essential parts hits 75 per cent it is considered 100 per cent and should be counted as such towards the overall value of the automobile, Mexico says.



M Shamsul Arefin

SBAC Bank appoints new AMD

STAR BUSINESS DESK

The South Bangla Agriculture & Commerce (SBAC) Bank has recently witnessed the appointment of a new additional managing director.

The appointee, M Shamsul Arefin, was previously serving National Credit and Commerce Bank as managing director and chief risk officer, said a press release.

He started his banking career with Eastern Bank as a probationary officer in 1994 and subsequently worked at One Bank, Shahjalal Islami Bank, Jamuna Bank and Premier Bank.

He obtained a BBA degree from Aligarh Muslim University and MBA degrees in finance, one from the University of Dhaka and another from North South University.

Nvidia's \$40b deal for ARM dealt blow

REUTERS, London

Nvidia Corp's planned \$40 billion acquisition of British chip designer ARM hit a major hurdle on Friday after a UK regulator found it could damage competition and weaken rivals, and required a further lengthy investigation.

The deal for Britain's most important technology company by the world's biggest maker of graphics and AI chips sparked a swift backlash from politicians, rivals and customers.

On Friday, Britain's competition regulator added to the pressure, saying the merged entity could reduce competition in markets around the world.

US oil and gas rigs rise for third week

REUTERS

US energy firms this week added oil and natural gas rigs for a third week in a row, as a recovery in oil prices prompted some drillers to return to the wellpad over the past year.

The oil and gas rig count, an early indicator of future output, rose three to 503 in the week to Aug. 20, its highest since April 2020, energy services firm Baker Hughes Co said in its closely followed report on Friday.

That puts the total rig count nearly double from the same period last year, when rig count was 254.

US oil rigs rose eight to 405 this week, their highest since April 2020, while gas rigs fell five to 97, registering their biggest weekly decline in 16 months.

US crude futures were trading around \$63 a barrel on Friday, sliding for a seventh straight session towards three-month lows due to surging Covid-19 Delta variant cases that is hitting travel.

With oil prices up about 29 per cent so far this year, several energy firms have said they plan to raise spending, which however, remains small as most firms continue to focus on boosting cash flow, reducing debt and increasing shareholder returns.

In fact, many analysts do not expect that extra spending to boost output at all. Instead, they think it will only replace natural declines in well production.

US shale oil output is expected to rise to 8.1 million barrels per day (bpd) in September, the highest since April 2020, according to the Energy Information Administration's

monthly drilling productivity report on Monday.

Total oil production, however, is expected to slide to 11.1 million bpd in 2021 from 11.3 million bpd in 2020, before rising to 11.8 million bpd in 2022, according to government projections. That compares with the all-time annual high of 12.3 million bpd in 2019.



REUTERS/FILE

An oil pump is seen at sunset outside Vaudoy-en-Brie, near Paris, France.

Crypto exchange Binance tightens money-laundering checks

REUTERS, Frankfurt

Cryptocurrency exchange Binance said on Friday it would demand stricter background checks on customers to bolster efforts against money laundering, with immediate effect, a move that comes after weeks of pressure by regulators globally.

Binance, the world's biggest crypto platform, has faced warnings and business curbs from financial watchdogs from Britain and Germany to Japan, who are concerned over the use of crypto in money laundering and risks to consumers.

The exchange, whose holding company is registered in the Cayman Islands, has scaled back its product offerings and said it wants to improve relations with regulators.

US Treasury Secretary Janet Yellen and European Central Bank President Christine Lagarde were among those this year to voice concerns over crypto money laundering, with other regulators growing concerned with Binance in particular.

The Dutch central bank on Monday said the platform, which processed spot trades worth \$455 million in July, was not in compliance with its anti-money laundering and anti-terrorist financing laws.

Binance users will have to complete a verification process to access its products and services, it said on its website.

Those who have not done so will only be able to withdraw funds, cancel orders and close positions.

The move represents a major shift by

Binance.

Until now, it only asked for ID checks for users seeking higher limits on trading. Now, users must provide an ID card, driver's licence or passport, it said.

Standards vary across exchanges. Many large platforms, including Coinbase Global Inc and Gemini, also require users to submit ID documents, yet Kraken, another US exchange, only requires personal information for limited access to trades.

Binance CEO Changpeng Zhao, a Canadian known by his nickname "CZ," said in a tweet linking to the Binance announcement that "actions speak louder than words".

"We aim to work more collaboratively with policy-makers to improve global standards and discourage bad actors," he added in a separate statement.

Binance said this week it had appointed a former US Treasury criminal investigator as its global money laundering reporting officer. Still, some lawyers were sceptical over whether Friday's move to tighten checks would placate regulators.

Financial watchdogs would need to know which of Binances local entities run the know-your-customer process to audit and check if it complies with local laws, said Alireza Siadat, partner at law firm Annerthon in Frankfurt.

"It is a nice marketing statement, but from the regulators' perspective, this is not enough," he said.

Soaring freight rates fuel commodity prices

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Canadian wheat variety is selling at Tk 1,270 per maund in the wholesale market in the port city, which was Tk 1,000-Tk 1,020 in the previous month. The price of Indian wheat was up by Tk 100 to Tk 1,120 per maund.

The hike has affected the prices of flour (atta) and refined flour in the wholesale and retail markets.

In the wholesale market, atta was selling at Tk 1,380 per maund on Friday, up from Tk 1,120 a month ago, and the refined flour at Tk 1,850, which was Tk 1,600 a month earlier.

Importers say the purchase of wheat from international sources declined 15 per cent year-on-year in fiscal 2020-21 as prices soared in the international market and demand declined in the local market due to the pandemic-induced consumption fall.

Some 54.43 lakh tonnes of wheat were imported in FY21, down from 64.34 lakh tonnes in FY20, according to data from the Bangladesh Bureau of Statistics.

Traders imported wheat at Tk 32,318 per tonne in July, an increase of 14 per cent

from June.

Similarly, the sugar price has increased by 19 per cent to Tk 41,757 per tonne within a month.

Biswajit Saha, director for corporate and regulatory affairs at City Group, a consumer goods company, said freight charges had almost doubled in the last one month.

"This is the main reason why the price of products is increasing in the international market,"

Shahed Sarwar, deputy managing director of K-Line Bangladesh Ltd, a shipping agent, said transportation was taking longer due to the congestion in almost all ports in the world, including in China, Singapore, Brazil, and Argentina.

"It takes an additional eight to 12 days to get the delivery of a consignment of goods. This has an effect on the shipping cost."

Abul Bashar, chairman of BSM Group, one of the top commodity importers in Bangladesh, said wheat production declined in almost all exporting nations.

"Besides, the exporting countries have imposed additional tariffs. So, the price of wheat has increased," he said, adding that trade supply chains were yet to normalise.

Austerity saves Tk 12,000cr

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Usually, a portion of the allocation is spent for car purchases under the development budget. And at the end of a project, the vehicles are supposed to return to the transport pool of the government. But the officials continue to use them even after the completion of the project.

On the other hand, senior government officials starting from deputy secretaries are entitled to subsidised car loans. But even after purchasing a car using the credit facility, they still use the vehicles bought for a project.

This has prompted the government to recently introduce a new rule, saying deputy secretaries would be eligible for car loans after working in the position for three years.

This means they would continue using the cars potentially from the transport pool of the government. Economists say the public expenditure in the sector could be reduced further if the vehicles are used through proper management. When a new project begins, the old cars can be re-used. State Minister for Planning Shamsul Alam said there was a project evaluation committee (PEC) under the planning ministry.

"The rationality and necessity of every item, including vehicles, should be evaluated during the meeting of the PEC because it is public money," he said, adding that he would discuss the issue with the planning minister. An economist says reducing expenses is necessary, especially during the pandemic, as the government has been spending a considerable amount to fight the economic fallout induced by the crisis.

In order to vaccinate the entire population, the government will need around Tk 32,000 crore, according to an official estimate. Besides, the government has unveiled various stimulus packages.

No scope for lowering yarn price: BTMA

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If the partial shipment of yarn is allowed, there is a chance of misuse of bond facility and excessive import by a section of traders, which would destroy the local industry while the government would lose a big amount of revenue.

Last week, leaders of the BGMEA and BTMLMEA sent letters asking the government to allow import of yarn, including partial shipments, through the Sonamasjid and Bhomra land ports.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Bangladesh Terry Towel and Linen Manufacturers and Exporters Association (BTMLMEA) have been lobbying with the government for the permission mainly to bring about an impact on yarn prices.

But currently partial shipments are allowed only through the Chattogram sea port while Benapole is the only land port through which yarn import is allowed.

Khokon said the widely consumed 30-carded yarn was sold at \$4 per kg in March, \$4.20 per kg in April and \$4.15 per kg in June.

Moreover, yarn prices have been increasing since September last year with the gradual reopening of the global supply

chain. So the upward trend did not come out of the blue, he said.

Cotton production has been lower this year because of excessive rainfall in the US and India, two major sources of cotton for Bangladesh since the country itself does not produce it.

Faruque Hassan, president of the BGMEA, said the local knitters, garment makers and Terry Towel exporters were the main customers of yarn.

"We have a lot of work orders from our international retailers and brands and now we need yarn at competitive prices to retain our business relations with our buyers," he said.

"If we cannot serve our retailers and brands, we may lose our buyers," he added.

"We also want the local yarn as we have some advantage on use of it. But the price is too high for us. We cannot afford the price level. The government should also think about us," Hassan said.

Leaders of the BTMA, BGMEA, Bangladesh Knitwear Manufacturers and Exporters Association and BTMLMEA were scheduled to sit for another round of meeting last night, when this report was filed, to discuss the latest price and demand situation of yarn in the domestic markets.

High transport costs bear down on RMG exporters

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Usually, the fares vary between Tk 12,000 and Tk 15,000, he added.

Abdul Hannan, a manager of Edo Mia Transport Agency, admitted that the transport fares surged because of the increasing demand.

Moreover, there was a congestion of vessels in the port a few weeks ago. As a result, many covered vans and trucks were stuck in the port areas for some days.

"Sometimes, goods-laden trucks and covered vans remain stuck for four or five days due to the congestion."

Most of the increase in the fares occurred after Eid-ul-Fitr, said Hannan, adding that the fare reached Tk 30,000 per covered van from Tk 14,000.

He blamed the abnormal traffic congestion in the port areas for the higher transport cost.

Sometimes, the fare declines when the unloading of goods at the port slows in line with a lower import of goods, he added.

AM Transport now charges between

Tk 20,000 and Tk 25,000 per covered van for transporting goods from Dhaka to Chattogram port, up from Tk 13,500 to Tk 14,000 before the latest lockdowns, according to its owner Mohammad Jasim Uddin.

Some 70,000 cargo-carrying trucks and covered vans ply between Dhaka and Chattogram.

"When the demand rises, we charge a higher fare. The fares are mainly dependent on the volume of import and export of goods," said Mokbul Ahmed, president of the Bangladesh Truck Van Transport Agency Owners Association.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, said the cost of production had gone up by 30 per cent over the last eight years for various reasons.

"Now the higher transport costs have added to the woes of the garment exporters."

Both import and export costs have risen as the sea freight rate remains elevated because of an acute shortage

of empty containers and a rise in demand globally.

The freight charge between Chattogram port and Shanghai port has risen by 400 per cent. As a result, most freighters are charging between \$4,000 and \$4,200 for a 40-foot container, which was \$1,000 and \$1,200 previously, according to Syed Nurul Islam, a director of the Bangladesh Textile Mills Association.

"The cost of shipping has risen abnormally as demand has gone up because of the rebound of the global economy."

Mostofa Azad Chowdhury Babu, senior vice-president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), said nobody had informed the apex trade body about the unusual transport fare hike.

"If anybody lodges complaints with the FBCCI, we will call a meeting to discuss the issue to resolve it," he said, adding that the fares were coming down gradually because of the withdrawal of the lockdown.

Sylhet tourism on road to recovery

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There are about 100 hotels, motels, resorts, and cottages in Sreemangal upazila of Moulvibazar district.

SK Das Sumon, owner of Green Leaf Guest House, said he built the resort on his own initiative.

And even though the government collects a lot of revenue from his business through taxes, Sumon did not get any support amid the ongoing coronavirus crisis.

"We owe several crore taka to banks and don't know how we can repay them," he said.

Shamsul Haque, owner of Nishorgo Eco Resort, told this correspondent that he built the resort with foreign clientele in mind.

"But lately, only local guests come in small numbers due to Covid-19," Haque said.

Still though, the industry is doing comparatively better now, bringing much-needed relief to the related businesses as well.

From roadside tea vendors to CNG-

run auto-rickshaw drivers, everyone is benefiting from the return of tourism as thousands of people in the region depend on the industry for an income, he added.

Musa, also director of Sreemangal Tea Heaven Resort, said tourists from all over the country used to flock to the area during major holidays during the pre-pandemic era.

"But the coronavirus has forced us to start all over again," he said, adding that although restrictions on public movement have been lifted, Covid-19 still remains a very real threat for the tourism industry.

According to Musa, the industry can continue as usual as long as everyone abides by health safety rules.

"Lately though, Sreemangal town has been facing traffic congestions and this upsets tourists. So, the local administration needs to take an urgent initiative in this regard," he said.

Mir Nahid Ahsan, deputy commissioner of Moulvibazar, said the district was an important part

of Bangladesh's overall tourism industry.

"We have already provided financial assistance to 200 resort, cottage and hotel employees on behalf of the district administration," he added.

Abu Tahir Muhammad Zaber, director (marketing, planning & public relation) and joint secretary to Bangladesh Tourism Board, said the tourism sector should be reopened but run at half its capacity to accommodate tourists to help maintain health safety guidelines.

"We have given some instructions to all the deputy commissioners, especially the deputy commissioners of the Sylhet and Chattogram divisions in this regard," he said.

Besides, mobile courts have been set up to monitor for breaches in safety regulations.

"Everything will be opened 100 per cent by monitoring all the circumstances. The losses will be made up for gradually," Zaber added.