



ESG VIEWPOINT

Managing conflict risk: Our engagement with companies in Myanmar amid triple crises



Lorraine Hau
Associate,
Responsible Investment

At a glance

- Efforts to stop the financing of the Myanmar military or any linked operations have undermined substantial economic development.
- Companies operating in Myanmar, particularly those with links to the military, are increasingly exposed to financially material business, legal and social risks.
- We have engaged 9 companies across the energy, consumer staples and discretionary, communication services, real estate and industrials sectors on their role in Myanmar.
- We will continue to engage companies to understand the evolving impact of their operations and stakeholders on the conflict and vice versa, focusing how companies can avoid complicity in human rights abuses and abide by international standards.



Why are we engaging Myanmar?

While widely out of the news right now, since the Myanmar military held a coup against the country's democratically elected government in February 2021, coupled with the consequences of the Covid-19 pandemic, the country is facing a humanitarian crisis.

The suppression of pro-democracy protestors and the persecution of the Rohingya minority resulted in sanctions, asset freezing and protests in efforts to stop financing the military or any linked operations. These implications have already undermined the substantial economic development that Myanmar has built, with the [World Bank forecasting](#) a 18% contraction in the economy this

year. Companies operating in Myanmar, particularly those with links to the military, are increasingly exposed to financially material business, legal and social risks. As responsible investors, we are actively responding because of our fiduciary duty to protect the value of clients' assets and to address the clear violations of the [UN Guiding Principles on Business and Human Rights](#).

Interested in learning more? Keep on scrolling or click the quick links.



**What have we
been doing?**



**Where have we focused
our engagement?**



**The outlook and
our next steps**



What are we doing?

We have engaged 9 companies across the energy, consumer staples and discretionary, communication services, real estate and industrials sectors on their role in Myanmar.

Companies in the consumer-facing sectors have not been responsive to outreach, whereas the energy sector has generally been more responsive.

In July 2021, we also joined the [Investor Alliance for Human Rights](#) engagement on Myanmar, a collaboration representing 86 investors with more than \$4trn in assets under management or advisement. The objective is – among others – to understand corporate's business relationships with the military and ensure appropriate assessment and mitigation of potential human rights harms. As part of the collaborative engagement, we will commence dialogue with specific companies in 2022 on these objectives.

We are also active participants of the [EIRIS Conflict Risk Network](#), where we contributed to the consultation of the Burma/Myanmar Responsible Investment Models. This publicly available tool is used to help responsible investors integrate conflict risks into their responsible and sustainable investment strategies.

“ We are engaging companies one on one, as well as collaboratively through the Investor Alliance for Human Rights. ”

Company insight:

PTT



PTT, a Thai state-owned oil & gas company with assets in Myanmar, discussed its efforts to support its employees. It allows employees to freely express their views and ensures no retaliation for participation in protests. The company has also implemented an urgent response programme that has oversight from the board to protect employee safety.

Our engagement focuses on five main areas:

1

Supply chain mapping

2

Human rights due diligence

3

Human rights implementation

4

Employee engagement

5

Collective engagement

Our focus areas for engagement

An initial value chain mapping is critical to identify relationships and activities linked to the military for companies to consider options to end financial support. Human rights due diligence should then be conducted, ideally with an expert third party, to identify and assess potential human rights risks, impacts and dependencies across operations and supply chain. Once completed, companies should integrate the findings into internal functions and processes to determine accountability and oversight. Companies must also engage with stakeholders to understand the impact of the conflict and the actions

they can take. These measures include supporting and respecting employees' freedom of expression and protecting their physical safety. Finally, participation in collective action is encouraged to move towards a peaceful resolution in Myanmar.

“ Value chain mapping is critical to identify relationships and activities linked to the military for companies to consider options to end financial support. ”

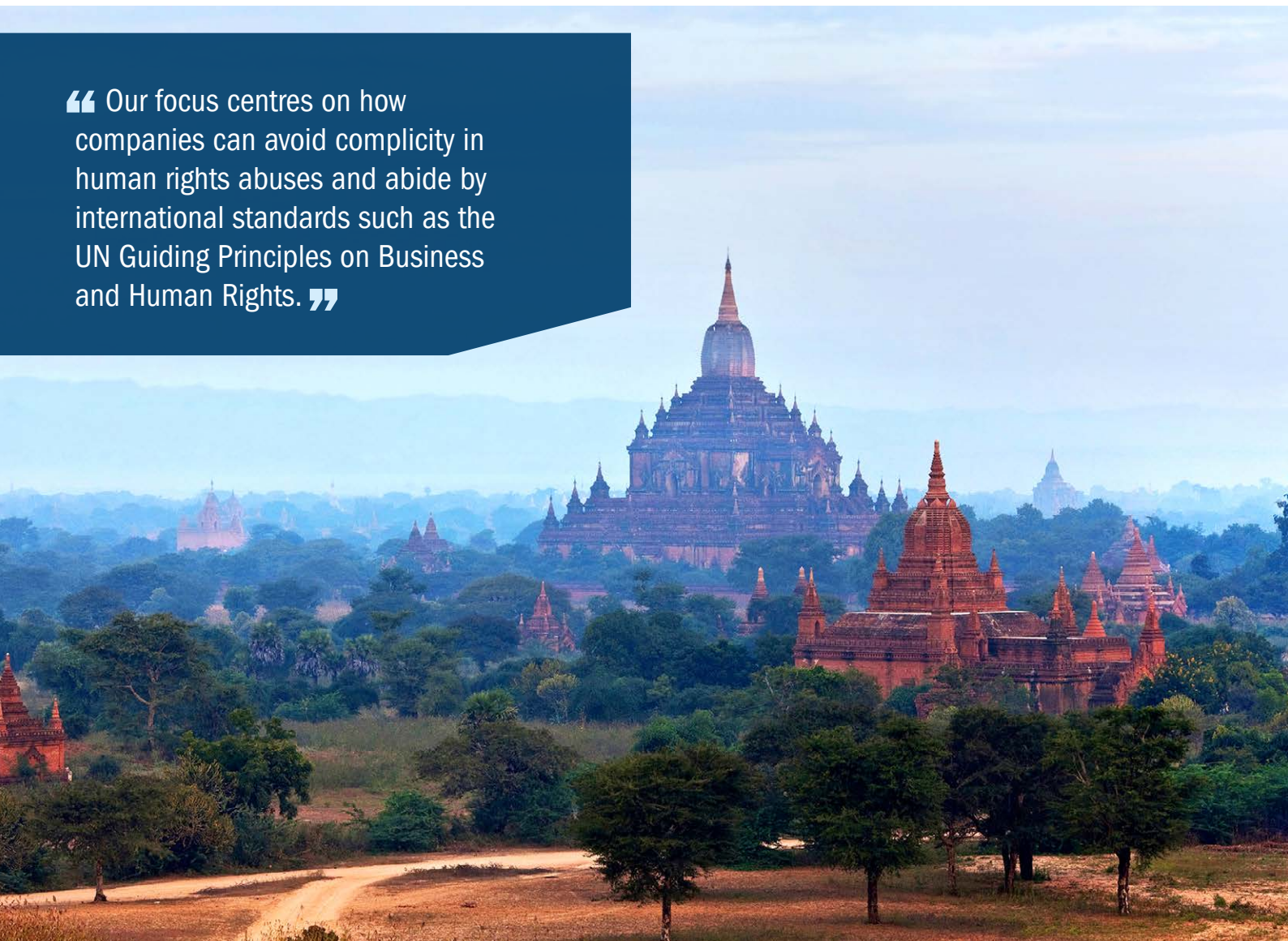
Outlook and next steps

The situation in Myanmar continues to deteriorate, with widespread unrest and protests resulting in violence and arrests. The country's economic decline with the steep loss in the value of its currency has heightened political instability. Citizens are under extensive pressure with the devaluation from inflation, food security issues and acute cash shortages. Companies face the challenge of evaluating the long-term operational and commercial viability whilst protecting stakeholders in a progressively unstable environment. Those considering the exit option, as they can no longer operate responsibly, must have a responsible exit plan. This includes thorough due diligence on its buyers and the impact of its departure on stakeholders, particularly the most vulnerable.

We will continue to engage companies individually and collectively to understand the evolving impact of their operations and stakeholders on the conflict and vice versa.

[The Myanmar Centre for Responsible Business](#) is working on a report detailing heightened due diligence in Myanmar under military rule. Our focus centres on how companies can avoid complicity in human rights abuses and abide by international standards such as the UN Guiding Principles on Business and Human Rights. Companies must be transparent on their provision of products, services, and funds, have measures in place to protect employees and other vulnerable groups and participate in collective action efforts to promote peace and stability in Myanmar.

“ Our focus centres on how companies can avoid complicity in human rights abuses and abide by international standards such as the UN Guiding Principles on Business and Human Rights. ”



Get to know the author



Lorraine Hau, Associate, Responsible Investment

Lorraine joined the Responsible Investment team in 2021 and is focusing on the TMT sector. Before joining the team, she worked at an investor network raising awareness on sustainability in food systems. When not working, she likes to spend her time practicing yoga and making lopsided bowls in pottery studios.

Contact us

 columbiathreadneedle.com

 Follow us on LinkedIn

To find out more visit columbiathreadneedle.com



© 2022 Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies.

For professional investors and qualified investors only.

This financial promotion is issued for marketing and information purposes only by Columbia Threadneedle Investments in Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the UK.

Reserved for professional clients as defined by the European Directive 2014/65/EU ("MiFID II") and is not for retail distribution.

This material should not be considered as an offer, solicitation, advice, or an investment recommendation. This communication is valid at the date of publication and may be subject to change without notice. Information from external sources is considered reliable but there is no guarantee as to its accuracy or completeness. Actual investment parameters are agreed and set out in the prospectus or formal investment management agreement. Financial promotions are issued for marketing and information purposes; in the United Kingdom by Columbia Threadneedle Management Limited, which is authorised and regulated by the Financial Conduct Authority; in the EEA by Columbia Threadneedle Netherlands B.V., which is regulated by the Dutch Authority for the Financial Markets (AFM); and in Switzerland by Columbia Threadneedle Management (Swiss) GmbH, acting as representative office of Columbia Threadneedle Management Limited. In the Middle East: This document is distributed by Columbia Threadneedle Investments (ME) Limited, which is regulated by the Dubai Financial Services Authority (DFSA). For Distributors: This document is intended to provide distributors with information about Group products and services and is not for further distribution. For Institutional Clients: The information in this document is not intended as financial advice and is only intended for persons with appropriate investment knowledge and who meet the regulatory criteria to be classified as a Professional Client or Market Counterparties and no other Person should act upon it. 181831 (04/22). AT, BE, DK, FI, FR, DE, IE, IT, LU, NL, NO, PO, ES, SE, CH, UK.