# POSITION PAPER #2

## Stakeholder engagement – getting critical insights to focus on what matters

> *In an age where everything and everyone is linked through networks of glass and air, no one - no business, organisation, government agency, country - is an island. We need to do right by all our stakeholders, and that's how you create value for shareholders. And one thing is for sure - no organisation can succeed in a world that is failing.*
>
> **Don Tapscott**

## In short

- To safeguard their social licence to operate, organisations must develop long-lasting relationships and cultivate trust. Without it, the cost of doing business and the ability to sustain operations might be severely impacted. This is especially relevant in a country like Myanmar, where there is a low level of general trust in society: according to a report published in 2020, 75% of interviewees indicated that they did not trust people. As trust is essential for banks, engaging with stakeholders effectively is critical for their business.
- To operate, banks should earn and nurture the trust of their depositors to finance projects and enable societal goals. Furthermore, banks committed to upholding the UNEP-FI Principles of Responsible Banking must proactively engage with their stakeholders (principle 4) and act transparently while remaining accountable (principle 6). Effective and conducive stakeholder engagement requires the mapping and prioritising of various groups of stakeholders, such as staff, customers, regulators, suppliers, partners, civil society organisations, etc.
- Sound stakeholder engagement should be (i) inclusive of all stakeholders, (ii) designed to identify issues that matter not only for the business but for stakeholders as well, (iii) structured to enable responsiveness and accountability, and (iv) fully integrated into the strategy and purpose of the company. This is a critical component in developing and implementing an ESG roadmap that will support business sustainability. Ultimately, good stakeholder engagement is good (for) business.

## Why should businesses engage with their stakeholders?

**Stakeholder engagement is nothing new. To thrive, businesses must engage with a wide range of stakeholders: it helps them spot trends, anticipate customers' needs, shape markets, and foster a stronger society. Sound stakeholder engagement is a building block in enabling business sustainability. As banks and financial institutions, they must embrace a more strategic approach when it comes to stakeholder engagement in order to build, cultivate, and nurture economic development, especially in Myanmar: trust.**

**As banks and financial institutions move to integrate ESG factors into their core business, they have to deal with numerous stakeholders.** In 2004, the United Nations Global Compact and the Swiss Federal Department of Foreign Affairs published a seminal report[1] that described the stakeholders involved in such a process. The interconnections and interdependences are highlighted in the graphic below.

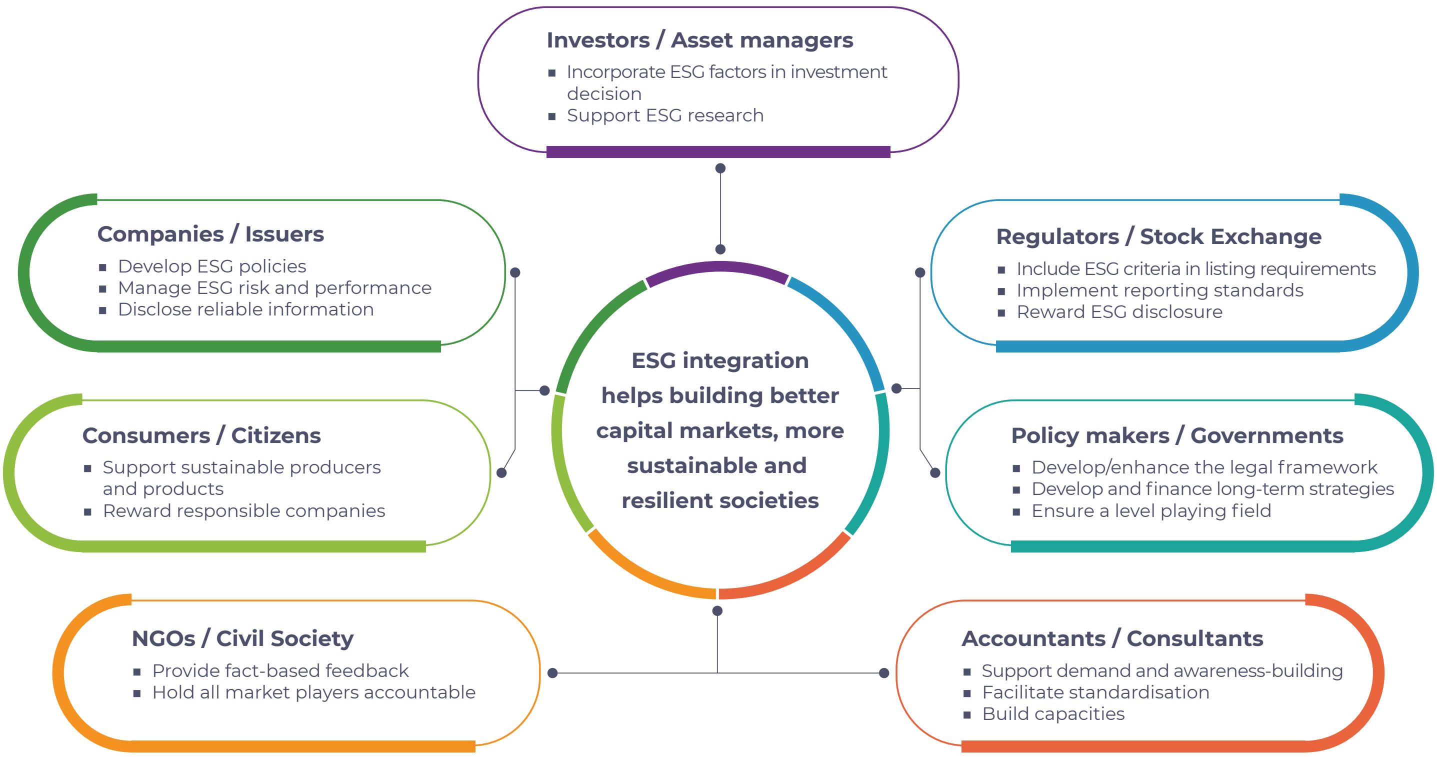



Figure 1 – *Adapted from Who cares wins.*

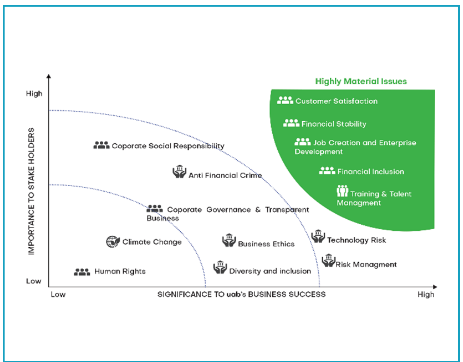
[1] Who cares wins: Connecting financial markets to a changing world', the United Nations Global Compact and Swiss Federal Department of Foreign Affairs, 2004

**In Myanmar, although banks are used to dealing with their regulator, the Central Bank of Myanmar (CBM), very few are keen to engage with their customers, partners, suppliers or civil society in general.** However, they should comply with the CBM's requirements. For instance, the 2020 edition of *Pwint Thit Sa* has a section covering how banks comply with CBM Directive 10/2019: every bank must "publish its audited financial statements on its website, four months after the FY ends, as well as to exhibit them conspicuously all year in each of its offices and branches. [The team] found that only five banks have a website and disclose their annual report and financial statements".[2]

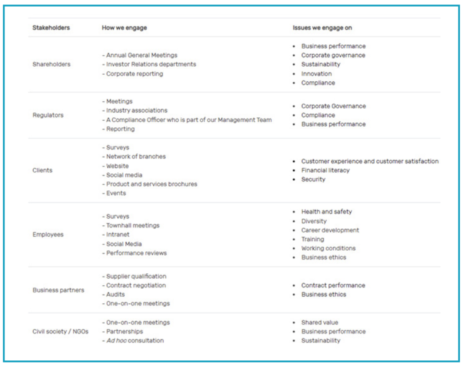
According to data collected by Yever, a Myanmar consultancy, based on the information publicly disclosed by the banks as of December 2021:

- 10% of banks explain how they engage with and consult their stakeholders;
- 7% of banks disclose the outcome of their consultations by presenting their materiality analysis, in which they detail, for each topic, its potential impact both on their business and on society.

While Myanmar banks are not used to this, some have developed and structured their approach. The following are three examples:

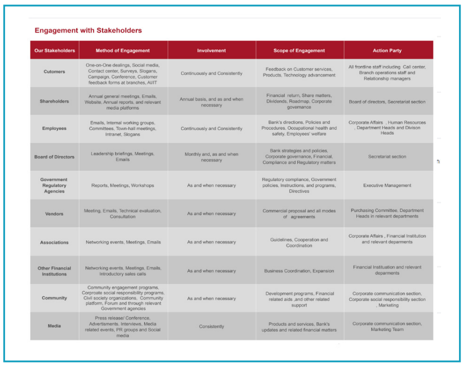



uab bank,
materiality matrix



| Stakeholders | How we engage | Issues we engage on |
|---|---|---|
| Shareholders | - Annual General Meetings<br>- Investor Relations departments<br>- Corporate reporting | • Business performance<br>• Corporate governance<br>• Sustainability<br>• Innovation<br>• Compliance |
| Regulators | - Meetings<br>- Industry associations<br>- A Compliance Officer who is part of our Management Team<br>- Reporting | • Corporate Governance<br>• Compliance<br>• Business performance |
| Clients | - Surveys<br>- Network of branches<br>- Website<br>- Social media<br>- Product and services brochures<br>- Events | • Customer experience and customer satisfaction<br>• Financial literacy<br>• Security |
| Employees | - Surveys<br>- Townhall meetings<br>- Intranet<br>- Social Media<br>- Performance reviews | • Health and safety<br>• Diversity<br>• Career development<br>• Training<br>• Working conditions<br>• Business ethics |
| Business partners | - Supplier qualification<br>- Contract negotiation<br>- Audits<br>- One-on-one meetings | • Contract performance<br>• Business ethics |
| Civil society / NGOs | - One-on-one meetings<br>- Partnerships<br>- *Ad hoc* consultation | • Shared value<br>• Business performance<br>• Sustainability |

Yoma Bank,
stakeholder mapping



Engagement with Stakeholders

| Our Stakeholders | Method of Engagement | Involvement | Scope of Engagement | Action Party |
|---|---|---|---|---|
| Cutomers | One-on-One dealings, Social media, Contact center, Surveys, Slogans, Campaign, Conference, Customer feedback forms at branches, AI/IT | Continuously and Consistently | Feedback on Customer services, Products, Technology advancement | All frontline staff including Call center, Branch operations staff and Relationship managers |
| Shareholders | Annual general meetings, Emails, Website, Annual reports, and relevant media platforms | Annual basis, and as and when necessary | Financial return, Share matters, Dividends, Roadmap, Corporate governance | Board of directors, Secretariat section |
| Employees | Emails, Internal working groups, Committees, Town-hall meetings, Intranet, Slogans | Continuously and Consistently | Bank's directions, Policies and Procedures, Occupational health and safety, Employees' welfare | Corporate Affairs , Human Resources , Department Heads and Divison Heads |
| Board of Directors | Leadership briefings, Meetings, Emails | Monthly and, as and when necessary | Bank strategies and policies, Corporate governance, Financial, Compliance and Regulatory matters | Secretariat section |
| Government Regulatory Agencies | Reports, Meetings, Workshops | As and when necessary | Regulatory compliance, Government policies, Instructions, and programs, Directives | Executive Management |
| Vendors | Meeting, Emails, Technical evaluation, Consultation | As and when necessary | Commercial proposal and all modes of agreements | Purchasing Committee, Department Heads in relevant departments |
| Associations | Networking events, Meetings, Emails | As and when necessary | Guidelines, Cooperation and Coordination | Corporate Affairs , Financial Institution and relevant deparments |
| Other Financial Institutions | Networking events, Meetings, Emails, Introductory sales calls | As and when necessary | Business Coordination, Expansion | Financial Instituation and relevant deparments |
| Community | Community engagement programs, Corproate social responsibility programs, Civil society organizations, Community platform, Forum and through relevant Government agencies | As and when necessary | Development programs, Financial related aids ,and other related support | Corporate communication section, Corporate social responsibility section , Marketing |
| Media | Press release/ Conference, Advertisments, Interviews, Media related events, PR groups and Social media | Consistently | Products and services, Bank's updates and related financial matters | Corporate communication section, Marketing Team |

AYA Bank,
stakeholder mapping
and engagement

[2] Myanmar Centre for Responsible Business and Yever, Pwint Thit Sa report, 2020, p. 25.

## How should banks engage with their stakeholders?

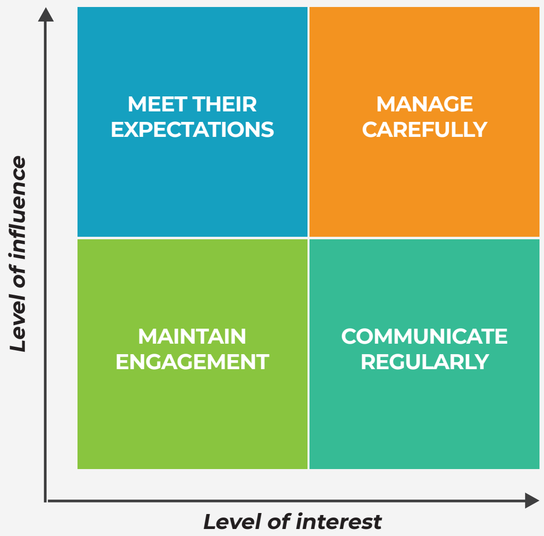
Once the board recognises the importance of stakeholder engagements, they can strategise how to engage with their stakeholders effectively and how the bank can promote sustainability and ESG considerations in value-creation for their stakeholders. An important task is to regularly communicate with stakeholders regarding how the bank is addressing their concerns. The IFC ESG Guidebook offers tips for a successful and effective stakeholder engagement process:

| # | Tips | Reasons |
|---|---|---|
| 1 | Get in early | Building a strong relationship with trust, mutual respect, and understanding takes time and effort. Therefore, companies should invest in engaging with stakeholders as early as possible, so that they can tailor their strategy and operations to address their stakeholders' expectations. |
| 2 | Don't wait until there is a problem to engage | Early stakeholder engagement may seem like a low-priority task, but it mitigates any risks from potential crises or conflicts that may arise in the future. Building a relationship early puts the bank at an advantage during disruptive events. |
| 3 | Take a long-term view | Maintaining a robust relationship requires a long time horizon. Banks should invest in hiring and training their employees for committed and personalised stakeholder engagements and inclusion to better understand their concerns. |
| 4 | Tailor the process to fit your project | The scale of a bank's stakeholder engagement should depend on the likelihood of their projects' relative risks and impacts. Because there is no umbrella approach, the level of effort and resource investment will differ from case to case. Banks should adjust their approach based on the scope of their stakeholders' needs and requirements for effective management. |
| 5 | Manage it as a business function | Stakeholder engagements should be managed just like other business functions, with a well-defined strategy, scope, and monitoring system. This management, and the projection of outcomes, should be inclusive and made clear for all employees to achieve better results. After the scope and criteria have been established, responsibilities and assignments can be assigned to manage stakeholders and monitor progress. |
| 6 | Weave the engagement framework into the company's strategy | When conducted properly, stakeholder engagements contribute to the company's sustainability. It is crucial to involve the leadership and even the Board in the process: this can help banks to connect the dots and ensure that they are fit for purpose and serving their stakeholders and shareholders alike. However, to be effective, proper management systems must be set up to monitor progress. |

The [AA 1000 Stakeholder Engagement Standard] provides a clear framework for engaging stakeholders. Before engaging with their stakeholders, businesses should understand their position. They do not all have the same level of influence and interest; therefore, one should first have a clear understanding of the stakeholder ecosystem.

The very first step consists of mapping all relevant stakeholders. Responsible persons should gather as much information as possible to understand each stakeholder's expectations, level of influence, type, willingness to engage, existing relationships, etc.

The outcome of this first step could be a matrix in which we indicate, for each stakeholder, their level of influence and interest. The outcome helps to focus on those stakeholders who have both influence and an interest in the organisation.

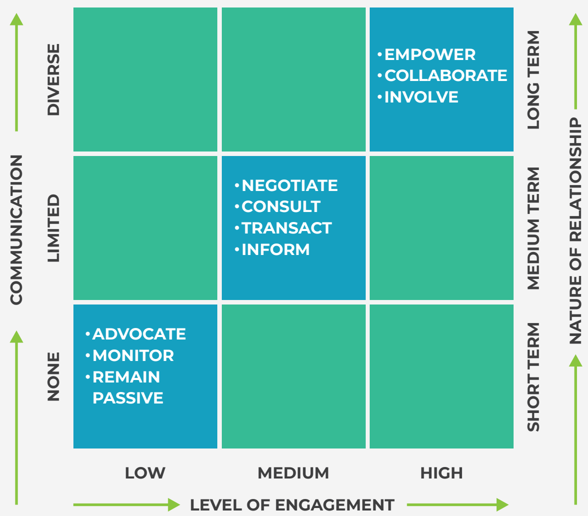



Then, banks can structure their approach in order to engage effectively with their most critical stakeholders and consider three factors, if we follow the AA 1000 SES:

- the existence of communication between the company and its concerned stakeholders;
- the level of engagement;
- the nature of the relationship.

The outcome of this second step could be a matrix in which we identify, for each stakeholder, the necessary levers to activate in order to have a meaningful and robust engagement. These first two steps are critical to establishing the inclusivity of the stakeholder engagement process.

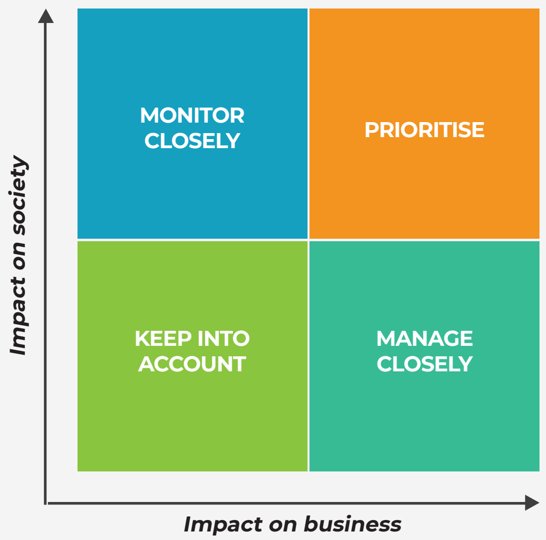
Different levels and approaches to engagement



For banks that are looking to develop their ESG approach, they must identify and determine the materiality of numerous issues.
They will assess, for each ESG topic, its potential impact on the business and on society. To do so, banks will engage with:

- internal stakeholders, such as shareowners, management representatives, workers' representatives, suppliers, business partners, etc.;
- external stakeholders, such as regulators, civil society organisations (CSOs), business associa-tions, peers, etc.

The outcome of this final step will be a materiality matrix that details, for each issue, its impact on the business and on society. This step is structured to ensure that the engagement is designed to focus on material topics.




Finally, organisations should share with their stakeholders the outcomes of their work. Most of them use their sustainability reports or websites to communicate this information. They will then assess and evaluate the results and continuously adjust their engagement approach. Businesses can, for example, use simple key performance indicators to measure their performance and the quality of their relationships with essential stakeholders: the satisfaction of their employees, customers, or suppliers, for instance. It is becoming increasingly essential for companies and financial institutions in Myanmar to rebuild the trust that has been lost within society through comprehensive stakeholder engagements, in order to foster a sustainable economy, despite the difficulties and challenges in doing so.

## Tools

- AA 1000 Standards
- IFC – Stakeholder Engagement

## Resources

- Accountability and Utopies, Critical Friends, 2007
- WWF, Reports focused on the banking sector in the ASEAN region