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ACCION

**Accion International
Public Report on Responsible Investment in Myanmar**

Via Email

June 18, 2015

U.S. Department of State
2201 C Street NW
Washington, DC 20520
BurmaPublicReport@state.gov

Re: Report on Responsible Investment in Myanmar

To Whom It May Concern:

Accion International, on its own and on behalf of its wholly owned subsidiary Accion Gateway Fund, L.L.C., hereby submits the enclosed Report on Responsible Investment in Myanmar, pursuant to the U.S. Department of the Treasury, Office of Foreign Assets Control Regulation 31 C.F.R. § 537.530, formerly General License No. 17.

Accion Gateway Fund, L.L.C. holds a 40% ownership stake in Dawn Myanmar Microfinance Pte. Ltd. ("Dawn Myanmar"), a private company organized under the laws of the Republic of Singapore. On September 3, 2014, Dawn Myanmar caused to be incorporated Early Dawn Microfinance Company Limited ("Early Dawn") under the Myanmar Companies Act of the Republic of the Union of Myanmar. Early Dawn is a subsidiary of Dawn Myanmar, with Accion Gateway Fund, L.L.C. holding a nominal interest. On February 13, 2015, Early Dawn entered into an asset transfer agreement with Save the Children International to acquire the assets and operations of Dawn Microfinance, a microfinance program operating in Myanmar. Accion International has committed to providing Early Dawn with ongoing management and technical assistance. Because certain aspects of these activities in Myanmar may be construed as "new investment" in Myanmar as defined by 31 C.F.R. § 537.311, Accion International is submitting the enclosed report pursuant to the regulations.

If you have any questions regarding this matter, please contact Kevin Saunders, Deputy General Counsel, at ksaunders@accion.org.

Sincerely,


Kevin Saunders
Accion International
Deputy General Counsel

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Reporting Questions

1. Name

Accion International ("Accion")

2. Acknowledgement

Accion acknowledges that this report will be made public, and that no information included in Items 1 through 8 of this report is exempt from public disclosure under FOIA Exemption 4. As such, no redactions have been made to Items 1 through 8.

A handwritten signature in black ink, appearing to read 'KS', is written over a horizontal line.

Kevin Saunders
Deputy General Counsel, on behalf of Accion

A handwritten date '6/10/2015' is written in black ink over a horizontal line.

Date

3. Point of Contact

Kevin Saunders
Deputy General Counsel
Accion International
10 Fawcett Street, Suite 204
Cambridge, MA 02138
Phone: +617.625.7080
Email: ksaunders@accion.org

4. Overview of Operations in Myanmar

a. Name of companies, including all subsidiaries, operating in Myanmar covered by this report

Accion's investment in Myanmar is in Early Dawn Microfinance Company Limited ("Early Dawn"), a subsidiary of Dawn Myanmar Microfinance Pte. Ltd. ("Dawn Myanmar"), of which Accion's subsidiary Accion Gateway Fund, L.L.C. ("Gateway Fund") is the largest shareholder with a 40% stake. Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., Stichting Triodos Sustainable Finance Foundation, Triodos Custody B.V., and Triodos SICAV II – Triodos Microfinance Fund are Dawn Myanmar's other shareholders.

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b. Nature of business in Myanmar

Accion is a U.S. based international nonprofit organization that fights poverty by providing microcredit and supporting economic and sustainable development.

In 2014, Accion, through its subsidiary Gateway Fund, partnered with Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., Stichting Triodos Sustainable Finance Foundation, Triodos Custody B.V., and Triodos SICAV II – Triodos Microfinance Fund to operate Dawn Myanmar, a private company organized under the laws of the Republic of Singapore. Dawn Myanmar's objective is to promote improvement in the living standards of low income households in both rural and urban areas in Myanmar through sustainable and responsible financial products and services. In pursuit of this objective, on September 3, 2014, Dawn Myanmar caused to be incorporated Early Dawn under the Myanmar Companies Act of the Republic of the Union of Myanmar. Dawn Myanmar is the corporate parent of Early Dawn, with Gateway Fund holding a nominal interest.

On February 13, 2015, Early Dawn entered into an asset transfer agreement with Save the Children International to acquire the assets and operations of Dawn Microfinance, a microfinance program owned by Save the Children International operating in Myanmar.

Having acquired the assets and operations of Dawn Microfinance, Early Dawn engages in group microfinance lending in urban and rural areas, with an operating model that is comparable to smaller Indian rural microfinance institutions. It offers three loan products: a general loan, a seasonal loan, and an education loan, with a compulsory savings element included in all products of Kyats 200 per week (US \$0.20), a regulatory requirement. The loan size ranges from \$50 - \$250, the terms from three to six months, and the group size from 10 to 25 members, with a sole focus on women borrowers.

Accion will provide management and technical assistance services to Early Dawn through 2017. These activities include selection of a core banking system, defining an operating model for Early Dawn, training and capacity building, conducting a portfolio analysis, and co-managing the transformation process.

c. Location of Operations in Myanmar

Accion and Gateway Fund are primarily investors in Early Dawn. Neither Accion nor Gateway Fund maintains offices in Myanmar.

Early Dawn manages its operations from its head office, located at Wizaya Plaza, 226 U Wisara Road, Bahan Township, Yangon, Myanmar.

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d. Approximate maximum number of employees in Myanmar during the reporting period (broken down by Burmese and non-Burmese employees).

Accion and Gateway Fund are primarily investors in Early Dawn. Accion seconded one non-Burmese employee to Early Dawn during the reporting period. Members of Accion's global team regularly visited Burma during the reporting period.

5. Human Rights, Worker Rights, Anti-Corruption, and Environmental Policies and Procedures:

a. Due diligence policies and procedures (including those related to risk and impact assessments) that address operational impacts on human rights, worker rights, and/or the environment in Myanmar

Accion conducted extensive due diligence involving the operational impact of its investment in Myanmar. This assessment was undertaken primarily in connection with Early Dawn's acquisition of Dawn Microfinance's assets and operations. Prior to the acquisition, Accion conducted a review of Dawn Microfinance's compliance with local laws and regulations, including all applicable labor laws, a site visit to observe working conditions and practices firsthand, and a review of Dawn Microfinance's internal code of professional and ethical conduct with respect to loan officers and credit staff's treatment of borrowers.

Accion and its affiliates are committed to continued compliance with all Myanmarese laws and regulations, including all applicable rules relating to human rights, labor, and environmental sustainability.

While Early Dawn is not a subsidiary of Accion or Gateway Fund, Gateway Fund and its partners ensured that Early Dawn is contractually prohibited from engaging in or financing any person performing a variety of excluded activities relating to human rights, worker rights, and the environment, including:

- Forced labor or child labor
- Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
 - Ozone depleting substances, PCBs (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
 - Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
 - Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length).

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- Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations
- Destruction of High Conservation Value areas
- Radioactive materials and unbounded asbestos fibers
- Pornography and/or prostitution
- Racist and/or anti-democratic media
- In the event that any of the following products form a substantial part of a project's primary financed business activities:
 - Alcoholic beverages (except beer and wine);
 - Tobacco;
 - Weapons or munitions; or
 - Gambling, casinos, and equivalent enterprises.

Further, Gateway Fund ensured that Early Dawn is contractually obligated to comply with Good Corporate Governance practices in inclusive finance institutions, including certain conflict of interest and arm's length principles.

b. Policies and procedures that address anti-corruption in Myanmar

Accion recognizes that corruption undermines economic growth and development and has a particularly harmful effect on the urban and rural poor. As such, corruption runs counter to Accion's chief missions and values. Accion maintains a strict zero-tolerance policy towards bribery and corruption in all forms and in all countries, formalized in its Anti-Bribery Compliance Policy, discussed *infra* Item 5.e.ii. Accion is committed to complying with all applicable Myanmar anti-bribery and anti-corruption laws, as well as the U.S. Foreign Corrupt Practices Act.

Accion requires all employees to complete training in anti-corruption and anti-bribery on an annual basis. Accion's Anti-Bribery Compliance Policy is reviewed on an annual basis and updated if necessary.

c. Policies and procedures that address community and stakeholder engagement in Myanmar

Accion is committed to economic growth and development in Myanmar. While Early Dawn is not an Accion subsidiary, Accion, through its indirect investment in Early Dawn and its involvement with Early Dawn's management and governance, will engage in initiatives in consumer protection, industry training, and dialogue with regulators and other stakeholders.

Further, Gateway Fund ensured that Early Dawn is contractually obligated to adopt certain Client Protection Principles, which can be found at

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<http://smartcampaign.org/about/smart-microfinance-and-the-client-protection-principles>, and to comply in all material respects with any law, rule, or regulation (including insurance, microfinance, and banking laws and regulations) applicable in any jurisdiction in which Early Dawn conducts its business concerning consumer protection matters. Early Dawn must also endorse Microfinance Transparency's mission to facilitate the collection and dissemination of transparent microcredit product pricing information and educate stakeholders so as to enhance their understanding of microcredit product pricing.

- d. **Policies and procedures that address hearing grievances from employees and local communities, including whether grievance processes provide access to remedies, and how employees and local communities in Myanmar are made aware of said processes**

Not applicable. Accion and Gateway Fund are primarily investors in Early Dawn.

- e. **Global corporate social responsibility policies, including those that address human rights, sustainability, worker rights, anti-corruption, and/or the environment:**

- i. **Human Rights and Worker Rights**

It is Accion's global policy to strictly prohibit discrimination on the basis of age, race, color, ethnicity, national origin, veteran status, creed, religion, citizenship, disability, parental status, marital status, gender, or sexual orientation.

Accion is committed to full compliance with all applicable laws and regulations in each country where the organization conducts business, including all rules related to wages, benefits, and working conditions. Harassment, physical coercion, child labor, human trafficking, and forced labor are absolutely prohibited.

In addition to being vetted for compliance with Accion's ethical and reputational standards, all of Accion's potential partners are checked against the U.S. Treasury's Office of Foreign Assets Control (OFAC) Specially Designated Nationals and Blocked Persons List and screened for Politically Exposed Person status.

- ii. **Anti-Corruption**

Accion's Anti-Bribery Compliance Policy prohibits:

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- corruptly authorizing, giving, promising to give, or offering anything of value, directly or indirectly, to government officials, business partners, government service providers, or any other individual or entity to influence them to misuse their position or secure any improper advantage in an effort to obtain or retain business;
- making payments to third parties where it is likely the third party will use any of the funds to make a prohibited improper payment; and
- receiving anything of value if it would create even the appearance of improper influence.

Accion's Anti-Bribery Compliance Policy also mandates adherence to all local laws relating to anti-bribery and anti-corruption, as well as to the U.S. Foreign Corrupt Practices Act. Accion requires all employees to complete training in anti-corruption and anti-bribery on an annual basis. Accion reviews its Anti-Bribery Compliance Policy on an annual basis and updates it if necessary.

All Accion subsidiaries must comply with Accion's Anti-Bribery Compliance Policy.

iii. Environmental Policy

Accion works to establish an environmentally conscious workforce and to conduct business in a way that minimizes the potential impact on the environment. Accion and its subsidiaries must comply with all applicable environmental laws and regulations relating to environmental responsibility and sustainability.

- f. **Whether and the extent to which the policies and procedures described in Question 5.a through 5.d are applied to, required of, or otherwise communicated to related entities in Myanmar, including but not limited to subsidiaries, subcontractors, and other business partners**

Accion and Gateway Fund are primarily investors in Early Dawn. Early Dawn is not bound by Accion's policies and procedures. See *supra* responses to Items 5.a and 5.c for Early Dawn's contractual obligations to adhere to certain policies and procedures involving human rights, labor, the environment, and community and stakeholder engagement.

6. Arrangements with Security Service Providers.

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a. Name(s) of security service provider(s);

Not applicable. Neither Accion nor Gateway Fund employs any third party security providers.

b. Duties and responsibilities of security service provider(s);

Not applicable.

c. Whether security service providers are signatories to the International Code of Conduct for Private Security Service Providers and/or whether they have been certified to any private security provider national or international standards;

Not applicable.

d. A concise summary of due diligence policies or practices for engaging and utilizing security services providers including those focused on human rights and anti-corruption, e.g. oversight policies and procedures and whether security service providers are subject to third-party auditing.

Not applicable.

7. Property Acquisition

a. A concise summary of any policies or procedures used to ascertain land or other real property ownership, use rights, dislocation, resettlement, or other claims and an explanation of how those policies were implemented for each land purchase, use, or lease transaction;

Not applicable. Neither Accion nor Gateway Fund have purchased, used, or leased land or other real property, or rights related thereto, valued over \$500,000 or larger than 30 acres.

b. The city/state or province where the land or other real property was purchased, used, or leased (e.g., "Myitkyina, Kachin State");

Not applicable.

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- c. **A concise summary of any policies or procedures, including grievance mechanisms, related to the dislocation or resettlement of people with respect to land or other real property and an explanation of how those policies were implemented for each land purchase, use, or lease transaction.**

Not applicable.

- d. **Any financial/material arrangements made to compensate previous users/residents of such land or other real property (other than to the lessor/owner), of which the submitter is aware; and**

Not applicable.

- e. **Any information of which the submitter is aware related to any involuntary resettlement or dislocation of people on land that meets the criteria as specified in question 7.**

Not applicable.

8. Transparency

Not applicable. Neither Accion nor Gateway Fund, nor any person or entity on either's behalf, have made payments valued over \$10,000 during the reporting year to any Government of Myanmar entity or any sub-national or administrative governmental entity or non-state group that possesses or claims to possess governmental authority over Accion or Gateway Fund's activities in Myanmar.

