

Second-Party Opinion

Bayport Management Ltd. Social Bond

Evaluation Summary

Sustainalytics is of the opinion that the Bayport Management Ltd. Social Bond Framework is credible and impactful, and aligns with the four core components of the Social Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds are aligned with those recognized by the Social Bond Principles, and Bayport has identified relevant target populations for these initiatives. Sustainalytics considers that the projects related to financial inclusion, access to financial services, corporate social investment, and employment generation through Micro and Small-Sized Enterprise (MSE) financing and microfinance will lead to positive social impacts and advance the UN Sustainable Development Goals, in particular Goal 8: Decent Work and Economic Growth.



PROJECT EVALUATION / SELECTION After passing Bayport’s existing credit approval screens, eligible assets will be tagged by the group-level credit and capital markets departments for inclusion in the pool of eligible assets. This pool will be managed by the deal maintenance team of the capital markets department. This process is in line with market practice.



MANAGEMENT OF PROCEEDS Bayport will ensure that at all times the total value of the pool of eligible assets meets or exceeds the total amount of social bonds outstanding. Ongoing review will be carried out, and should an asset no longer qualify as eligible, then that project may be replaced with another one that meets the eligibility criteria. Unallocated proceeds will be managed in accordance with Bayport’s liquidity policy. This process is in line with market practice.



REPORTING Bayport will report annually on the use of proceeds, for as long as there are social bonds outstanding. This reporting will include the number and the total volume of loans provided in each country, the share of net proceeds for new financing compared to refinancing, and examples of assets that have been funded. Bayport will also provide information on how loan recipients intend to use the funds. This process is in line with market practice.

Evaluation date	May 9, 2019
Issuer Location	Ebene, Mauritius

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Introduction

Bayport Management Ltd. (“Bayport”, “BML”, or “the Company”), through its subsidiary companies, offers retail financial services to customers in various Latin American and African countries. The Company provides responsible credit through various term loans to predominantly formally employed individuals for family events, to pay for medical bills, educational costs, to buy income-producing assets such as motor vehicles as well as for incremental housing. Bayport also provides financial services to small businesses and offers local money transfer services in some of its countries of operation.

Bayport has developed the Bayport Management Ltd. Social Bond Framework under which it intends to issue social bond(s) and use the proceeds to finance and refinance expenditures related to socioeconomic advancement and empowerment for underserved populations in emerging markets, particularly low-income countries including Ghana, Mozambique, Tanzania, Uganda and Zambia in addition to Botswana, Colombia and Mexico. The Framework defines eligibility criteria in four areas:

1. Financial inclusion
2. Access to financial services
3. Corporate social investment
4. Employment generation through MSE financing and microfinance

Bayport engaged Sustainalytics to review the Social Bond Framework, dated April, 2019, and provide a second-party opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2018 (SBP).¹ This Framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with various members of the Issuer’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of Bayport’s social bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Bayport Management Ltd. Social Bond Framework and should be read in conjunction with that Framework.

¹ The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

² The Framework will be made available on Bayport’s website.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Bayport Management Ltd. Social Bond Framework

Summary

Sustainalytics is of the opinion that the Bayport Management Ltd. Social Bond Framework is credible and impactful, and aligns with the four core components of the Social Bond Principles 2018. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The four eligible categories – financial inclusion, access to financial services, corporate social investment, and employment generation through Micro and Small-Sized Enterprise (MSE) financing and microfinance – are broadly recognized as impactful by the SBP. Sustainalytics considers the financial inclusion of citizens and the promotion of small business in emerging and frontier markets in Southern Africa to provide overall positive social impacts.
 - In the context of lending and services to individuals, the Framework identifies the target population as low-income individuals³ and pensioners. In the context of micro- and small-sized enterprise financing, companies that are managed by individuals that fall within the above noted target population and also have fewer than five full-time employees are considered eligible.⁴
 - Sustainalytics recognizes that the SBP prefer project-based lending and financing, and that there is, in general, less transparency with non-project-based lending. While lending to micro- and small-sized enterprises allows for the inclusion of non-project-based lending, Sustainalytics considers that the lending contemplated by the Framework will have social benefits due to the markets targeted and the strict definition of a MSE.
 - In addition to lending directly to individuals, proceeds of the social bond(s) will be used to finance investments in programmes aimed at providing access to financial services for target populations. Bayport has elaborated that these programs may include delivering services directly to rural areas which are particularly underserved by existing infrastructure. In this regard, financing could include the development of rural branches, the employment of agents in rural areas and the establishment of digital solutions to enhance access to financial services. Sustainalytics views positively the goals of these initiatives, and encourages Bayport to report on the specific initiatives undertaken in order to provide transparency to investors.
 - The Framework defines as eligible corporate social investment, namely investments in Innovation Africa, a non-profit organization which promotes the diffusion of solar, water, and agricultural technology. Innovation Africa focusses on increasing access to electricity for schools and healthcare facilities as well as providing energy to pump clean water, as well as efficient agricultural techniques such as drip irrigation. Sustainalytics considers these initiatives to provide social and environmental benefits, and considers investments in this programme to be aligned with the objectives of Bayport's social bond, as well as its overall corporate philosophy. For further discussion of this initiative refer to Section 2, below.
 - Bayport has established a lookback period of 24 months for refinancing eligible projects. Sustainalytics considers this to be in line with market practice.
- Project Evaluation & Selection:
 - All loans eligible for inclusion under the Framework will first be approved using Bayport's usual credit approval process, by the credit department within each country. Subsequently, the credit department will tag eligible loans, which will be added to a pool of eligible assets. Ongoing overview of the eligible pool will be carried out by the Deal Maintenance team, within Bayport's Capital Markets department.
 - Based on the identification of eligible projects at the country level and subsequent review at the group level, Sustainalytics considers this process to be in line with market practice.

³ The Low-income individuals are defined as those earning less than 50% of the Gross National Income per Capita; data from the World Bank will be used to support this calculation.

⁴ This limit is consistent with the OECD's definition of a micro-enterprise. See: <https://stats.oecd.org/glossary/detail.asp?ID=3123>.

- Management of Proceeds:
 - Bayport commits to ensuring that the pool of eligible assets will at all times exceed the total amount of social bonds outstanding. Assets no longer qualifying shall be removed from the pool and may, if necessary, be replaced. The group-level credit department will track this process using its existing accounting procedures. Pending allocation, proceeds will be managed in accordance with Bayport's liquidity management policy.
 - Based on the commitment to ongoing review of the portfolio to ensure ongoing compliance, and the disclosure of the intended use of unallocated proceeds, Sustainalytics considers this to be in line with market practice.
- Reporting:
 - Bayport commits to providing an investor letter with relevant reporting information annually for as long as there are social bonds outstanding. Information provided will include the number and total amount of loans provided, the share of financing versus refinancing and examples of other projects funded. To further elaborate on the impact of the loans, Bayport will also provide statistics on the specific intended use of the loans it offers to individuals, such as healthcare, education, or housing.
 - Based on the commitment to allocation reporting, as well as the intention to provide a break-down by loan category, Sustainalytics considers this process to be in line with market practice, however, would encourage additional impact reporting where possible.

Alignment with Social Bond Principles 2018

Sustainalytics has determined that Bayport's social bond proceeds align to the four core components of the Social Bond Principles 2018. For detailed information please refer to Appendix 1: External Review Form.

Section 2: Sustainability Performance of Bayport

Contribution of Framework to Bayport's sustainability strategy

Bayport's overall mission is to be a financial services provider that caters to "an inclusive and broad customer base". Underpinning this mission are the Company's six core values of empowerment, responsibility, innovation, simplicity, partnership, and relevance; Bayport intends to use these commitments to provide "upliftment and financial fulfilment" to its customers and their communities.⁵

In order to put these values into practice, the Company has developed the "Bayport Way", a set of principles that are intended to guide specific aspects of its business operations. This declaration describes both ways in which BML will operate internally, as well as the approach it takes in developing products and solutions for its customers.

Further demonstrating its commitment to improving the communities in which it operates, Bayport is a partner in the Innovation Africa initiative, which is an NGO that aims to improve the quality of life of impoverished rural African villages by providing them with access to basic services, such as water and electricity through solar technologies.⁶ These services both complement the financial service offered by Bayport, as well as support the conditions for economic development which can lead to further growth in demand for credit as more individuals have the opportunity to grow their businesses and improve their wellbeing.

Given Bayport's overall mission and corporate philosophy, as well as its implementation of strategies regarding responsible investing, and corporate social responsibility and engagement with sustainability-focused NGOs, Sustainalytics considers that Bayport is well-placed to issue social bonds.

⁵ Bayport, "The Bayport Way", at: <https://www.bayportfinance.com/bayport-group/who-we-are/the-bayport-way/>. Bayport, "General information", confidential document.

⁶ Innovation Africa, "Innovation Africa", at: <https://www.innoafrica.org/>. Bayport, "Innovation Africa Presentation", confidential document.

Well positioned to address common environmental and social risks associated with the projects

While the use of proceeds of Bayport's social bond(s) will be directed towards projects that are anticipated to have a positive overall social impact, it should be noted that lending and microfinance are areas which may be exposed to various environmental and social risks.

Within the context of Bayport's activities, the most relevant social risk relates to the potential for predatory lending and the expansion of debt burden on vulnerable individuals. Bayport's credit policies take an active approach to mitigating these risks; all loans granted by the Company are screened by the Quality Control team within each country's Credit Department to ensure that the borrowers have the capacity to repay the loans before approval is granted and Bayport takes a proactive role in informing and educating customers about the various terms, risks, and opportunities of borrowing. Furthermore, Bayport has engaged with NGOs with expertise in the field such as Smart Campaign and GIIRS to review its client protection policies. The Smart Campaign is a global initiative that strives to ensure safe and responsible treatment of microfinance customers, and Bayport has received the organization's "Smart" certification.⁷ The company has also committed to upholding its Client Protection Principles, which gives provisions on prevention of over-indebtedness, transparency, responsible pricing, fair and respectful treatment of customers, and mechanisms for complaints resolution.⁸

There are also social risks associated with inadvertently increasing inequality, particularly if lending initiatives are not appropriately targeted at specific population groups. As Bayport's Social Bond Framework clearly identifies target populations for the financed loans, including the use of quantifiable income levels based on World Bank data to identify low-income groups, Sustainalytics considers that Bayport is adequately mitigating this risk.

In addition to social risks, banks and financial institutions are always exposed to environmental risks from activities that may be undertaken by companies and individuals to which they provide financing. To address these risks, Bayport's Framework excludes businesses with activities related to controversial weapons, small arms, fossil fuel exploration or distribution, conflict minerals, alcohol & tobacco, adult entertainment or gambling, as well as those involved in forced labour, child labour, or unsafe working conditions. Sustainalytics considers these exclusions to support the mitigation of risks associated with lending to SMEs.

Based on the above, in particular the commitment to not provide credit to those who are unable to repay, Sustainalytics considers Bayport well-positioned to mitigate potential environmental and social risks associated with the projects financed by its social bond(s).

Section 3: Impact of Use of Proceeds

All four use of proceeds categories are recognized as impactful by the SBP. Sustainalytics has focused below on how the impact is specifically relevant in local context.

Importance of financial inclusion and access to services in Eastern, Western, Central, and Southern African countries

According to the IFC, as of 2013 less than 25% of adults from sub-Saharan countries had access to formal financial services, largely as a result of the lack of financial infrastructure; this scarcity results in an inability to save money safely, securely and efficiently transfer money, and to obtain credit and insurance.⁹ 2016 figures suggest limited improvement on this front, with the IMF estimating that only 34% of the population from this region have bank accounts (compared to the 94% average in high-income OECD countries). This factor is connected to the ongoing challenge of vulnerable employment which, including unpaid family workers, was approximated at 70% of total employment in the Region, with only 7.3% of the population reporting that employment wages were deposited in bank accounts.¹⁰

⁷ The Smart Campaign, "Campaign Mission & Goals", at: <http://smartcampaign.org/about/campaign-mission-a-goals>.

⁸ The Smart Campaign, "The Client Protection Principles", at: <http://smartcampaign.org/about/smart-microfinance-and-the-client-protection-principles>.

⁹ IFC, "Access to Finance. Sub-Saharan Africa", (2013) at:

<https://www.ifc.org/wps/wcm/connect/e8ea2e004149f9f48008a39e78015671/For+Print+E+FY13+highlights.pdf?MOD=AJPERES>.

¹⁰ Papadavid, P. (2016), "Broadening financial inclusion in sub-Saharan Africa: policies should prioritise financial stability", at:

<https://www.odi.org/publications/10583-broadening-financial-inclusion-sub-saharan-africa-policies-should-prioritise-financial-stability>.

Access to financial services should also be considered in light of its interrelation with access to other basic services (e.g. housing, healthcare and education). Africa is the world's most rapidly urbanizing region, with a commensurate increase in specific urban challenges;¹¹ a report by the McKinsey Global Institute suggests that by 2025, around a third of inhabitants of urban settlements (1.6 billion people) could struggle in securing decent housing.¹² Moreover, a study conducted in 2019 showed that while between 2000 and 2015 the prevalence of higher-quality housing in the region doubled from 11% to 23%,¹³ 56% of urban dwellers from sub-Saharan Africa continued to cope with substandard or slum-like housing conditions.¹⁴ In regards to healthcare access, despite significant improvements over the last 20 years, health outcomes in the Region remained well below the global average and under-performing health systems represent one of the main reasons for the health deficit in sub-Saharan Africa.¹⁵ Moreover, the World Bank and WHO have stated that there are wide gaps in the availability of healthcare services in many Southern African countries.¹⁶ Finally, access to education also represents a major challenge, as many countries continue to lag in terms of enrolment rates for primary, secondary and tertiary education and where the literacy rates for youth are below 50%¹⁷ and over 32 million children of primary school age remaining uneducated.¹⁸

Given this context, Sustainalytics is of the view that Bayport's provision of loans to low-income individuals will have a positive impact for vulnerable and low-income populations in the countries in which it operates by both promoting financial wellbeing and the related social improvements that this may entail. Furthermore, the eligibility criteria defined by Bayport, namely, education, health emergencies, and housing, are recognized as being necessary for social inclusion and/or advancement. It should also be noted that Bayport's credit structure provides individuals with flexibility as to how the proceeds will be applied – for example, an "education" loan could be applied as needed to tuition, textbooks, uniforms, transportation to school, or other related costs – and Bayport does not conduct post-hoc verification of how the funds were used. This is in keeping with Bayport's overall philosophy of building responsibility with its customers, and not imposing undue administrative burdens.

Sustainalytics also views Bayport's investments in access to financial services as providing positive impacts for the same target groups. In light of the aforementioned lack of financial infrastructure, investments in branch networks as well as rural agents and digital infrastructure will improve Bayport's ability to serve communities which may currently not be reached by financial institutions. Additionally, Sustainalytics notes that flows of credit may reach beyond the specific locations targeted by these investments, and specifically that recipients may direct funds onwards to family members in more remote locations.

Relevance of MSME financing in Emerging African Markets

SMEs make up a vital part of most emerging economies, contributing up to 40% of national income (GDP) and up to 60% of total employment.¹⁹ Moreover, SMEs represent an even larger share of businesses in Sub-Saharan African countries such as Ghana, where their contribution to the national economy was equivalent to 49% of GDP.²⁰ However, the lack of access to finance represents an essential impediment for the development of SMEs in Sub-Saharan Africa, having implications on employment, economic growth and shared

¹¹ Smit, W. (2018), African Cities and the Development Conundrum, "Urban Governance in Africa: An Overview", at: <https://journals.openedition.org/poldev/2637>.

¹² McKinsey Global Institute, (2014), "Tackling the world's affordable housing challenge", at: <https://www.mckinsey.com/featured-insights/urbanization/tackling-the-worlds-affordable-housing-challenge>.

¹³ London School of Hygiene & Tropical Medicine, (2019), "Dramatic housing transformation in sub-Saharan Africa revealed for first time", at: <https://phys.org/news/2019-03-housing-sub-saharan-africa-revealed.html>.

¹⁴ Dhlamini, T. (2018), "Urbanisation and housing challenges in Sub Saharan Africa", at: <http://housingfinanceafrica.org/urbanisation-and-housing-challenges-is-sub-saharan-africa/>.

¹⁵ Audibert, M., Mathonnat, J. (2013), "Facilitating access to healthcare in low-income countries: a contribution to the debate", at: <https://journals.openedition.org/factsreports/2069>.

¹⁶ World Health Organization, "World Bank and WHO: Half the world lacks access to essential health services, 100 million still pushed into extreme poverty because of health expenses", at: <https://www.who.int/news-room/detail/13-12-2017-world-bank-and-who-half-the-world-lacks-access-to-essential-health-services-100-million-still-pushed-into-extreme-poverty-because-of-health-expenses>.

¹⁷ Our World in Data, "Global Rise of Education", at: <https://ourworldindata.org/global-rise-of-education>.

¹⁸ Dechambenoit, G. (2016), "Access to health care in sub-Saharan Africa", at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5223397/>.

¹⁹ Ndiaye, N. et al. (2018), Borsa Istanbul Review, "Demystifying small and medium enterprises' (SMEs) performance in emerging and developing economies", at: <https://www.sciencedirect.com/science/article/pii/S2214845018300280>.

²⁰ Quartey, P. et al. (2017), Review of Development Finance, "Financing the growth of SMEs in Africa: What are the constraints to SME financing within ECOWAS?", at: <https://www.sciencedirect.com/science/article/pii/S1879933717300362>.

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prosperity.²¹ This lack of access to financial tools in Africa is the result of two primary elements: the provision of finance for African countries is rated as riskier than other areas, while the provision of finance towards small firms is globally considered riskier than for larger enterprises.²² Additionally, national policies and programmes have further burdened SMEs in accessing financial aid, as past governmental supported credit schemes to the SME sector showed a strong lack of efficiency and transparency in their operation.²³ Furthermore, the micro and small enterprises (those with fewer than 5 employees) that are targeted by Bayport's lending initiatives often face even greater difficulty in accessing credit than their larger SME peers, and often turn to family or friends for informal lending.²⁴ By providing these clients with credit, Bayport is not only promoting the development of these businesses in the short term, but also helping to build financial knowledge and history within these groups, which will serve to expand the borrowing potential of these firms in the future. Furthermore, by specifically targeting enterprises that are run by low-income individuals, the social bond is serving to both advance economic development of vulnerable populations as well as offering service to those individuals that are most likely to lack the resources to access credit.

Considering the forgoing, Sustainalytics views favourably Bayport's offering of loans to micro and small enterprises operated by low-income individuals, which will encourage employment generation and improve the socioeconomic status of local populations in Bayport's client markets including Botswana, Ghana, Tanzania, Zambia, Mexico, Mozambique, Colombia and Uganda.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This social bond advances the following SDG goal and targets:

Use of Proceeds Category	SDG	SDG target
Financial inclusion	8. Decent work and economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro, small and medium-sized enterprises, including through access to financial services
Access to financial services		
Corporate Social Investment		8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all
Employment generation through MSE financing and microfinance		

Conclusion

Bayport Management Ltd. has developed the Bayport Management Ltd. Social Bond Framework, under which it intends to issue social bonds and use the proceeds to finance investments in financial inclusion, access to financial services, corporate social investment, and employment generation through MSE finance. Sustainalytics highlights in particular that loans will be provided to low-income individuals, as well as micro-enterprises run by low-income individuals.

Sustainalytics anticipates that the financing of the various initiatives described in the Framework will provide social benefit and support socioeconomic advancement of vulnerable populations in the markets served by Bayport. In addition, Bayport's processes for project evaluation and selection as well as management of proceeds and reporting are aligned with market practice.

Based on the above, Sustainalytics considers the Bayport Management Ltd. Social Bond Framework to be robust, credible and transparent, and in alignment with the four core components of the ICMA's Social Bond Principles 2018.

²¹ IFC, "Access to Finance. Sub-Saharan Africa", (2013) at:

<https://www.ifc.org/wps/wcm/connect/e8ea2e004149f9f48008a39e78015671/For+Print+E+FY13+highlights.pdf?MOD=AJPERES>.

²² Quartey, P. et al. (2017), Review of Development Finance, "Financing the growth of SMEs in Africa: What are the constraints to SME financing within ECOWAS?", at: <https://www.sciencedirect.com/science/article/pii/S1879933717300362>.

²³ Quartey, P. et al. (2017), Review of Development Finance, "Financing the growth of SMEs in Africa: What are the constraints to SME financing within ECOWAS?", at: <https://www.sciencedirect.com/science/article/pii/S1879933717300362>.

²⁴ Collins, T. (2018) "Closing Africa's MSME finance gap", <https://africanbusinessmagazine.com/company-profile/4g-capital/closing-africas-msme-finance-gap/>

Appendices

Appendix 1: Social Bond/ Social Bond Programme -External Review Form Section 1. Basic Information

Issuer name:	Bayport Management Ltd
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Bayport Social Bond
Review provider's name:	Sustainalytics
Completion date of this form:	May 9, 2019
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds are aligned with those recognized by the Social Bond Principles, and Bayport has identified relevant target populations for these initiatives. Sustainalytics considers that the projects related to financial inclusion, access to financial services, corporate social investment, and employment generation through SME financing and microfinance will lead to positive social impacts and advance the UN Sustainable Development Goals, in particular Goal 8: Decent Work and Economic Growth.

Use of proceeds categories as per SBP:

- | | |
|--|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

After passing Bayport's existing credit approval screens, eligible assets will be tagged by the group-level credit and capital markets departments for inclusion in the pool of eligible assets. This pool will be managed by the deal maintenance team of the capital markets department. This process is in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Social Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

- Summary criteria for project evaluation and selection publicly available Other (*please specify*):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (*please specify*):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Bayport will ensure that at all times the total value of the pool of eligible assets meets or exceeds the total amount of social bonds outstanding. Ongoing review will be carried out, and should an asset no longer qualify as eligible, then that project may be replaced with another one that meets the eligibility criteria. Unallocated proceeds will be managed in accordance with Bayport's liquidity policy. This process is in line with market practice.

Tracking of proceeds:

- Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (*please specify*):

4. REPORTING

Overall comment on section (*if applicable*):

Bayport will report annually on the use of proceeds, for as long as there are social bonds outstanding. This reporting will include the number and the total volume of loans provided in each country, the share of net proceeds for new financing compared to refinancing, and examples of assets that have been funded. Bayport will also provide information on how loan recipients intend to use the funds. This process is in line with market practice.

Use of proceeds reporting:

- Project-by-project

 On a project portfolio basis
- Linkage to individual bond(s)

 Other (*please specify*):

Information reported:

- Allocated amounts

 Social Bond financed share of total investment
- Other (*please specify*):

Frequency:

- Annual

 Semi-annual
- Other (*please specify*):

Impact reporting:

- Project-by-project

 On a project portfolio basis
- Linkage to individual bond(s)

 Other (*please specify*):

Frequency:

- Annual

 Semi-annual
- Other (*please specify*):

Information reported (expected or ex-post):

- Number of beneficiaries

 Target populations
- Other ESG indicators (*please specify*):

Means of Disclosure

- Information published in financial report

 Information published in sustainability report
- Information published in ad hoc documents

 Other (*please specify*):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP**

- i. Second Party Opinion: An institution with social expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Social Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the social features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
- iii. Certification: An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognised external social standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
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