

# Bayport Management Ltd.

**Type of Engagement:** Annual Review

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## Introduction

In 2019, Bayport Management Ltd. (Bayport) issued a social bond<sup>1</sup> aimed at financing SME's, affordable housing, healthcare, and education. In 2020, Bayport engaged Sustainalytics to review the projects funded through the issued social bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Bayport Management Ltd. Social Bond Framework.

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded by the 2019 social bond issuance, based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Bayport Management Ltd. Social Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Bayport Management Ltd. Social Bond Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

**Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs**

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
<b>Financial inclusion</b>	Financing and refinancing of loans for investments in housing, education, and healthcare.	Examples of assets or projects that have been funded by Social Bonds
<b>Access to financial services</b>	Investments and related expenditures dedicated to providing easy and affordable financial infrastructure, including: <ul style="list-style-type: none"> <li>• Rural branch network</li> <li>• Agents in rural areas</li> <li>• Digital infrastructure</li> </ul>	
<b>Employment generation through MSE financing and microfinance</b>	Financing and refinancing of loans to micro and small-sized enterprises. <sup>2</sup>	

## Issuing Entity's Responsibility

Bayport is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, estimated, and realized costs of projects, and project impact.

<sup>1</sup> USD 260mn / EUR 227mn

<sup>2</sup> Financing will not be made into business activities within controversial weapons, small arms, fossil fuel exploration and distribution, tobacco, conflict minerals, alcohol, gambling or adult entertainment. Bayport will further ensure that lending will not lead to child labour, forced labour or unsafe working conditions.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Bayport’s Social Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Bayport employees and review of documentation to confirm the conformance with the Bayport Management Ltd. Social Bond Framework.

Sustainalytics has relied on the information and the facts presented by Bayport with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Bayport.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>3</sup> nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Bayport’s Social Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Bayport Management Ltd. Social Bond Framework. Bayport has disclosed to Sustainalytics that the proceeds of the social bond<sup>4</sup> were fully allocated as of June 2020.

## Detailed Findings

**Table 3: Detailed Findings**

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the social bond in 2019 (USD 260 mn / EUR 227 mn) to determine if projects aligned with the Use of Proceeds Criteria outlined in the Bayport Management Ltd. Social Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the social bond in 2019 to determine if impact of projects was reported in line with the KPIs outlined in the Bayport Management Ltd. Social Bond Framework and above in Table 2. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

<sup>3</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

<sup>4</sup> USD 260mn / EUR 227mn

## Appendices

### Appendix 1: Examples of impact created by loans financed by Social Bonds

#### Lillian Seth Mallya

*My Name is Lillian Seth Mallya. I am married, have four children and work as a nurse at Machame Hospital.*

*Life was difficult and very tight: I struggled to pay school fees for three children and stock a small business, but Bayport has really empowered me.*

*The Bayport loan officer educated us on the loans, explaining I could choose to take a loan for up to five years, depending on my affordability and requirements, and informing me that my loan will be deducted directly from my salary.*

*I took the loan and it really helped me. I am very happy with Bayport.*

*With my first loans I paid my child's university fees, made some home improvements, and bought more chickens for my poultry and eggs business. I also bought more cows and pigs. The cattle dairy business is seasonal in Machame. If the season is good then dairy is plentiful; during droughts there is no cow feed and therefore less milk. Right now the season is good and I can get 10 litres in the morning and 10 litres at night. The money from the milk helps my family with food and medical treatment.*

*I was interested in Bayport because they are not bureaucratic in their loan process and there is no need for collateral. As long as you are on the payroll Bayport trusts you, and they cut their deductions straight from your salary.*

*I have taught my children that if you have money, use it for the right reasons and not on things that are not productive.*

*Bayport has really made me happy. It has made me feel like a human being and has reduced my life burdens a lot.*

#### Juma Ali Mazinda

*"My name is Juma Ali Mazinda. I work as a village district executive. Most of the people in this district are rice and maize farmers, but climate change is causing big challenges here, mainly because we no longer get the rain we were accustomed to. The rain arrives at the right time, but stops halfway through the season, thus the crops cannot grow as expected. This means that farmers no longer grow enough crops for their own food and to sell.*

*As a result of climate change, I could no longer rely on my rice paddy and my maize crop. I also realised I am getting old and will reach a point where I won't have money for basic needs like buying salt. I therefore decided to create a farm at home for long-lasting crops, such as papaya, coconut, lime and sugarcane.*

*To do this, I decided to borrow from Bayport. My loan was just over Tsh1 million. I divided the loan in three sections: Tsh200 000 I used to buy four goats to start a business that will eventually help pay for school fees. With Tsh400 000 I created the farm here at home, and the other Tsh400 000 I spent on improving my rice paddy farm.*

*I see that the development plan I had set for the Bayport loan, is heading towards success. For example, I estimate I can get at least 700 papayas this season and sell them for Tsh300 each.*

*When I decided to borrow, my two children were still in primary school. Education is expensive, but I wanted money to educate them. Also, as I get older, I want to depend on myself with the farm I created and not rely on my children, asking them for Tsh500 to buy salt.*

*I am really thankful to Bayport. You make payments on your loan and they invite you to get top ups to continue your development plans. Bayport's loan has really helped me achieve my goals.*

*When my children are older, I will educate them about loans based on my experience. Without my loan, I would have not reached this success. A loan helps if you have a plan. My plan was to look after the wellbeing of my family, how they will live and how I will live."*

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