

Bayport Management Ltd.

Type of Engagement: Annual Review

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Introduction

In 2019, Bayport Management Ltd. (Bayport) issued a social bond aimed at financing SME's, affordable housing, healthcare, and education. In 2020, Bayport engaged Sustainalytics to review the projects funded through the issued social bonds 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 and Eligibility Criteria

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Financial Inclusion	Financing and refinancing of loans for investments in housing, education, and healthcare.	The number and the total volume of loans provided in each country, divided into the following loan categories: Education, Health and Emergency, Housing, Other and MSE financing
Employment generation through MSE financing and microfinance	Financing and refinancing of loans to micro and small-sized enterprises.	

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.

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 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,¹ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Social Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Social Bond Framework. Bayport has disclosed to Sustainalytics that the proceeds of the Social bond were fully allocated as of December 2019.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the Social bond in 2019 (USD 80 mn / EUR 65.51 mn) to determine if projects aligned with the Use of Proceeds Criteria outlined in the Social Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	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 Social Bond Framework and above in Table 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

¹ 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.

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

Miguel Eugénio Matusse (Mozambique)

Miguel Eugénio Matusse has been a Bayport Mozambique customer since 2017. The 32-year-old father of two daughters (aged 14 and 10), lives with his wife and children on Inhaca Island where Miguel is an officer at the Marine Biology Station. His wife is a housekeeper.

The Matusse family lives in a concrete, two-bedroom house with a living room, bathroom and kitchen. It is a far cry from the "precarious house made of reed" they lived in before. The reed house had only a bedroom and living room – the bathroom and kitchen were outside. The house leaked terribly when it rained, and Miguel had to fix it constantly.

In 2017, having used his savings and salary advances to build the new house's foundation, Miguel heard about Bayport from colleagues at work. "They were happy with the service they got from Bayport," he remembers. "During one of the visits of Bayport agents I got to know more about their financing product and got interested. I understood Bayport was a reliable company that offers fast loans and I decided to try."

With his first loan of MT50 000 (about USD 675), Miguel raised the walls of his house. Top-up loans in 2018 and 2019 allowed him to put in windows, complete the roof, sink a borehole and buy a water pump. In total, Miguel borrowed MT88 000 (about USD 1 185) from Bayport.

"From a reed house, now we are here," says Miguel. "In our own house, made of concrete. My daughters can sleep in their own bedroom. They are happy. I feel fulfilled because I have improved the conditions of my family and our lives."

Miguel plans to get another top-up loan as soon as the current loan is paid up, as he still needs to put in a proper ceiling. "For now, I have improvised with aluminium plates," he says.

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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider." The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019. For more information, visit www.sustainalytics.com. Or contact us info@sustainalytics.com

