



**Equator
Principles Report
2022**

BANK OF AFRICA
BMCE GROUP



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Introduction

The Equator Principles are a set of voluntary guidelines adopted by financial institutions, for determining, assessing and managing Environmental and Social risks in projects. They were established to ensure that the projects financed and advised on are developed in a socially responsible manner, reflecting sound environmental management practices.

The Equator Principles (EP) were launched in 2003 based on the International Finance Corporation Performance Standards on social and environmental sustainability and on the World Bank Group Environmental, Health, and Safety Guidelines. The Principles were updated in 2006 (EPII) and again in 2013 (EPIII). The most recent version, EP4, was agreed upon in November 18th 2019, to come into effect on October 1st 2020.

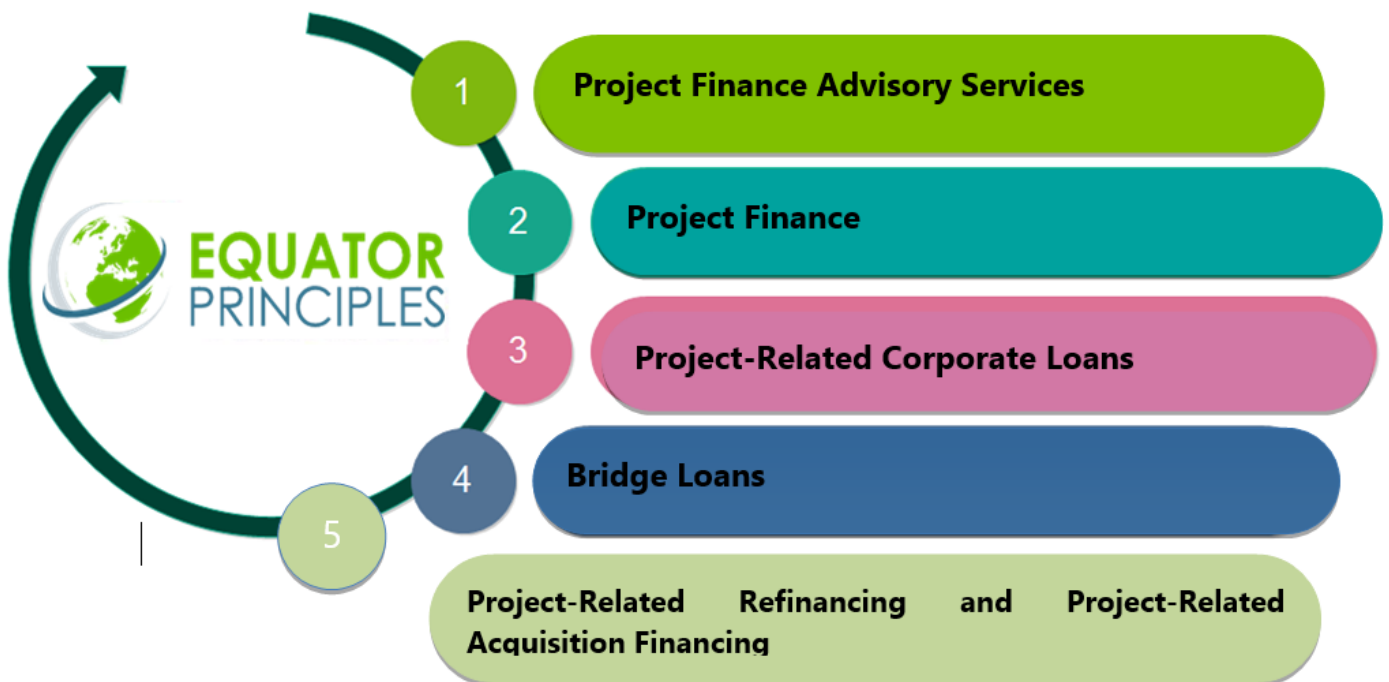
The 4th version includes update in four key areas: Scope and applicability of the Equator Principles; Applicable standards in Designated versus Non-Designated countries; Human rights and social risk and Climate Change.



Scope

The scope of the Equator Principles (EP4) has been extended to apply to Project-Related Refinancing and Project-Related Acquisition Financing where:

- The underlying Project was financed in accordance with the Equator Principles framework
- There has been no material change in the scale or scope of the Project and
- The Project completion has not yet occurred at signing of facility/ loan agreement





As of **July 2023, 139 Equator Principles Financial Institutions (EPFIs) in 39 countries** have officially adopted the Equator Principles, covering the majority of international project finance debt within developed and emerging markets. BANK OF AFRICA has been an EP member since 2010.

For further information about the Equator Principles, please consult the official website www.equator-principles.com

This report provides an overview of the most recent data for the 2022 financial year (from January 1st to December 31st, 2022). The recorded transactions have been measured in accordance with the requirements of Principle 10 of the Equator Principles, which states that the EPFI will, at least annually, report publicly on transactions that have reached Financial Close and on its Equator Principles implementation processes and experience.

Implementation of the Equator Principles by BANK OF AFRICA

BANK OF AFRICA became the 1st and the only Moroccan Bank in the Maghreb Region to adopt the Equator Principles on May 10th, 2010, underlining the Bank's strong commitment to finance environmentally and socially responsible projects. This is reflected through the methodologies developed by the Bank to identify, reduce and mitigate potentially adverse environmental and social impacts of projects financed.

EP transactions are run through internal environmental and social policy, All information about the EPs are available for employees on intranet pages, the guidance documents and procedures have been in place in order to ensure the effective application of the principles.



At BANK OF AFRICA, the Equator Principles transactions are managed through the E&S Risk Team (Analysis of Commitments Division) which depend to Group Risks. Their responsibilities include the following steps:

- Identification and categorisation of Equator Principles applicable transactions
- Collecting project-related information and data
- Visiting the site for Category A and certain Category B projects
- Conducting E&S due diligence for Equator Principles transactions (category A and certain B projects)
- Proposing recommendations, action plans and guidance to client via the *Platform Project and investment financing*.
- Supporting the *Platform Project and investment financing* to Monitor of Equator Principles action plan.

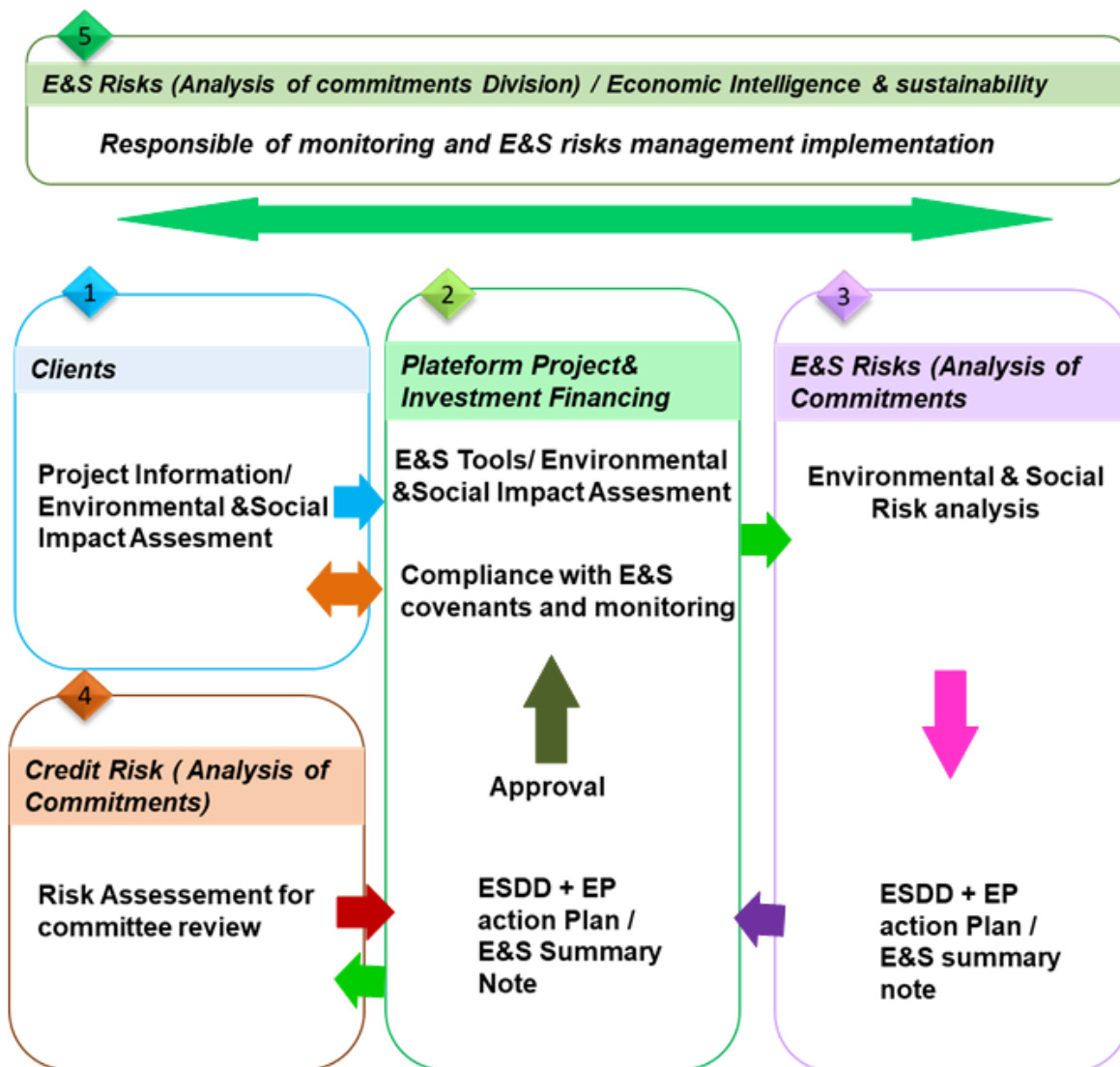
BANK OF AFRICA's *Economic Intelligence & Sustainability Direction and the E&S risks Team*, which reports to the Group Governance and Development Department and the Group risks Department are responsible of monitoring and E&S risks management implementation.

Environmental and Social Risk Process

The steps for managing social and environmental risk are as follows:

1. The *Platform Project & Investment Financing (PPIF)* request an Environmental and Social Impact Assessment (ESIA) and information regarding the project, in order to complete the E&S tools.
2. The E&S *Risks team (Analysis of Commitments)* studies the E&S tools, analyses the ESIA, and conducts environmental and social due diligence (ESDD) in accordance with IFC performance standards and Equator Principles requirements. Following the ESDD, an E&S summary note including an action plan is prepared by the E&S Risks team (*Analysis of Commitments*) and monitored by the *PPIF* with the support of E&S Risks team.
3. The ESDD report and the E&S summary note are submitted to the *PPIF*, which then transfer them to the *Credit Risk (Analysis of Commitments)*.
4. Upon approval, the *PPIF* informs the customer of the required action plan.

The following flow-chart summarises BANK OF AFRICA's organisational structure for managing environmental and social risks:



It should be noted that among the various Specialized Committees in charge of overseeing the execution of the Group's strategic and operational orientations, the Environmental, Social and Sustainability (ESS) Committee aims to bolster CSR governance within the Group, thereby ensuring that sustainability is fully embedded within its organisational structure. Its main responsibilities consist of:

- Monitoring implementation of the Environmental, Social and Gender action plan across the Group
- Ensuring that ES risk management practices within the Group are effective
- Developing and supervising Impact Finance performance indicators
- Supervising global commitments in term of sustainable development and CSR.

In 2022, the Environmental, Social and Sustainability Committee continued its work during which it dealt with four new themes related to: (1) Bank's Positive Impact approach, (2) Accreditation to the Green Climate Fund, (3) Deployment of the national Financial Inclusion strategy and (4) Diversity & Inclusion approach.



Equator Principles reporting

The EP applicable transactions having reached financial close in FY 2022 are shown in Table 1. The projects were identified and assessed by applying IFC's performance standards, World Bank EHS Guidelines, in addition to compliance with local E&S laws, regulations and standards and the Equator principles 1 through 10 (based on category).

During 2022, 28 projects falling within the scope of the Equator Principles were approved and/or disbursed and 8 project finance, project-related corporate loans and project-related refinance transactions have reached financial close. All of these projects are based in Morocco and cover all categories (A, B and C).

The table below summarises the number of transactions signed for the past three financial years. Breakdowns are provided by category, sector, region, country designation, independent review and project name reporting.

Table 1: Breakdown of Equator Principles Projects Closed in FY22.

Appraisal of transactions	Project Finance				Project-related Corporate loans				Project-Related Acquisition Financing			
	Total	A	B	C	Total	A	B	C	Total	A	B	C
Category¹												
	3	1	2	.	4	-	3	1	1	1	-	-
Sector												
Mining	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	3	-	2	1	-	-	-	-
Oil & Gas	-	-	-	-	-	-	-	-	-	-	-	-
Power	1	1	-	-	-	-	-	-	1	1	-	-
Others	2	-	2	-	1	-	1	-	-	-	-	-
Region												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe, Middle East and Africa	3	1	2	-	4	-	3	1	1	1	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-
Country designation²												
Designated countries	-	-	-	-	-	-	-	-	-	-	-	-
Non-designated countries	3	1	2	-	4	-	3	1	1	1	-	-
Independent Review³												
Yes	1	1	-	-	-	-	-	-	1	1	-	-
No	2	-	2	-	4	-	3	1	-	-	-	-
By project name reporting⁴												
	1	1	-	-	1	-	1	-	-	-	-	-

- Category A (High risk):** Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented; **category B (Medium risk):** Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, largely reversible and readily addressed through mitigation measures; **category C (Low risk):** Services company projects with minimal or no adverse environmental and social risks and/or impacts
- Country Designation is defined to include countries that are known as “high income OECD Countries”. Projects in designated countries are screened according to country laws and regulations. **Projects in “non-designated” countries are assessed according to local laws, the IFC Performance Standards, the World Bank EHS Guidelines and the 10 Equator principles.**
- Independent Review is a review of the Assessment Documentation including the Environmental and Social Management Plans, Environmental and Social Management System and Stakeholder Engagement process documentation carried out by an Independent Environmental and Social Consultant.
- Project Name Reporting indicates the number of clients who have agreed that high-level project details can be disclosed on the Equator Principles website.

Independent audit organisations

As part of the Environmental Management System (EMS), a Green & Sustainable Finance working group within the Environmental Performance Improvement Group was established specifically to evaluate and manage the indirect impacts of activities financed by the bank. In addition, BANK OF AFRICA relies on the expertise of audit firms such as Bureau Veritas to evaluate indirect impacts related to its clients' activities.



Bureau Veritas is a global leader in Testing, Inspection and Certification (TIC), delivering high quality services to help clients meet the growing challenges of quality, safety, environmental protection and social responsibility. As a trusted partner relying on a network of more than 930 offices in 140 countries, Bureau Veritas offers innovative solutions beyond compliance with regulations and standards, including risk mitigation, improving performance and promoting sustainable development.

<http://www.bureauveritas.com/>

Additional Information

- Awareness

All information about the EPs are available for employees on intranet pages. The internal toolkit includes technical reference documents to provide guidance to users and ensure that they are aware of Good International Industry Practice (GIIP).

Additionally, presentations, internal and external newsletters and updates on EP are communicated to relevant personnel.

- BANK OF AFRICA's ESG track record

E&S Risk Management

- **2009:** E&S management system in partnership with IFC.
- **2010:** BMCE SA was the first FI in the region to become an Equator Principles Bank, demonstrating Leadership. 10 years later BBOA is still the only EP Moroccan Bank.
- **2016:** E&S Action plan in conjunction with new Waste & Water facilities; turning point when BANK OF AFRICA Group updated the Risk Management Policy and put in place a dedicated E&S Risk Team.
- **2020:** In partnership with CDC UK, BMCE BOA Group ESMS renovation and deployment across the Group throughout the course of 2020-2021.

Sustainable & Impact Finance

- **2015: 1st financing facility for Energy Efficiency / Renewable Energy in Morocco** under the "MorSEFF" program - *Moroccan Sustainable Energy Financing Facility*. Between 2015 and 2020, 55 M Euros of SME loans including free technical assistance and cash-back incentive to clients amounting 10% of the loan.
- **2016: 1st Green Bond** by Public Offering amounting **500 M MAD**, labelled as "**Positive Impact Bond**".
 - o **"Water" Financing facility Adaptation to Climate Change at COP22**, in partnership with the AFD and the EIB; 20 M Euros to finance wastewater treatment for both public and private companies in Morocco. Includes free technical assistance and cash-back incentive.
 - o **"Waste" Financing facility dedicated to the Circular Economy in Morocco at COP22** in partnership with FMO and EIB, 20 M Euros to finance recycling and waste management of companies in Morocco, including free technical assistance, client program in the Netherlands, and cash-back incentive.
 - o **1st SRI - Socially Responsible Fund - in Morocco**: "FCP Capital SRI" invests in companies selected based on their social responsibility practices. The extra financial rating agency VIGEO selects company based on CSR/Sustainability criteria.
 - o The Bank has been listed in the **"EM-70" extra-financial stock market index since 2016**.
- **2017: Positive Impact Finance and alignment with Sustainable Development Goals (SDGs)**
In support of the 17 Sustainable Development Goals (SDGs), BANK OF AFRICA, alongside nearly 20 leading global banks and investors, totalling \$6.6 trillion assets, launched on January 30th in Paris the *Principles for Positive Impact Finance* - an innovative international framework enabling the financial sector to assess the sustainable dimension of their financial products, services, and assets.



- **2020 : BMCE BOA** figures in the **"Casablanca ESG 10" index** and awarded **"Top Performer RSE"** de Vigeo
- **2020: Women In Business Program for Women Entrepreneurs** in Morocco includes a support program in partnership with the EBRD in Morocco; 20 M Euros with free technical assistance and mentoring program.

- **BANK OF AFRICA, Signatory of the United Nations Global Compact**

Launched in 2000 by the United Nations, the Global Compact is an initiative mainly set to enhance businesses to adopt socially-responsible approaches in terms of human rights, employment standards, environments and anti-corruption measures. BANK OF AFRICA, as a signatory of the UN Global Compact since June 2016, is committed to improve each year on its ten principles and support the broader UN Goals.



- **BANK OF AFRICA, Signatory of the Principles for Responsible Banking**

BANK OF AFRICA is a founding signatory to the United Nations "Principles for Responsible Banking" - PRB- launched at the General Assembly and the Climate Summit on 22-23 September 2020 in New York. PRBs represent a new alliance between the UN Environment Program and the global financial sector.

The Principles for Responsible Banking are a first global standard in terms of banking responsibility and a unique framework for ensuring that signatory banks strategy and practice are align with the Sustainable Development Goals (SDGs) and the Paris Climate Agreement.

324 banks have joined this movement for change, leading the way towards a future in which the banking community makes the kind of positive contribution to people and the planet that society expects.



- **BANK OF AFRICA implements Impact Analysis tool for Banks – UNEP-FI Positive Impact Initiative**

In addition to individual E&S credits analysis, BANK OF AFRICA implements its portfolio Impact analysis focusing on the most significant positive and negative volumes of impacts, taking in consideration Morocco's priorities.

The **UNEP-FI Impact Analysis tool for Banks** is based on the portfolio cartography in terms of economic sectors, regions and typology of clients, and indicates the source of the most significant positive and negative impacts.

To date, the scope of this analysis is the Moroccan Corporate credit portfolio, including specialized credit facilities. The analysis concludes convergence with the Kingdom's impact priorities.

- **BANK OF AFRICA's contribution to Positive Impact financing**

The analysis of 2022 outstanding loans covers BANK OF AFRICA's Moroccan corporate loans - excluding public administrations, financial activities and intercompany loans - which amounted to MAD 56.5 billion, or 44.5% of total Moroccan customer loans and 28.9% of total Group customer loans.

Within this framework, **loans with a positive impact amounted to MAD 17.7 billion, representing 31.3% of total Moroccan corporate loans**, compared with 32.6% in the previous year.

This slight decline is entirely due to the legal termination of the sale of Oxygène and Relance loans, which fell by 20% year-on-year. These loans have been specifically designed to support companies during the Covid period. On the other hand, **high-impact environmental and social loans grew by 40%, reflecting BANK OF AFRICA's strong commitment to climate change, adaptation and community support.**

