



2018 Equator Principles Report

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Introduction

This report provides an overview of the most recent data for the 2018 financial year (from January 1st to December 31st, 2018). The recorded transactions have been measured in accordance with the requirements of the 3rd version of the Equator Principles (EPIII), officially adopted June 4th, 2013. This report includes assessed projects that reached financial close in 2018.

What are the Equator Principles?

The Equator Principles are voluntary standards designed to help a financial institution determine, measure and manage social and environmental risks. 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 adopted by ten banks, then updated in 2006 (EPII) and again in 2013 (EPIII) taking into account the very latest best practices and to extend their scope to include project-related corporate loans and bridge loans.

As of **July 2019, 97 Equator Principles Financial Institutions (EPFIs) in 37 countries have** officially adopted the Equator Principles, covering the majority of international project finance debt within developed and emerging markets. BMCE 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.



Implementation of the Equator Principles by BMCE Bank of Africa

BMCE Bank of Africa became the 1st 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.

As a member of the Equator Principles, BMCE Bank of Africa conducts an assessment which takes into account an analysis of environmental and social aspects. The assessment process also considers a project's characteristics, its geographical location and its potential social and environmental impacts.

Implementation of the Equator Principles comprises the following steps:

- Categorisation
- Collecting project-related information and data
- Visiting the site for Category A and certain Category B projects
- Analysing the project's environmental and social risks
- Proposing an action plan

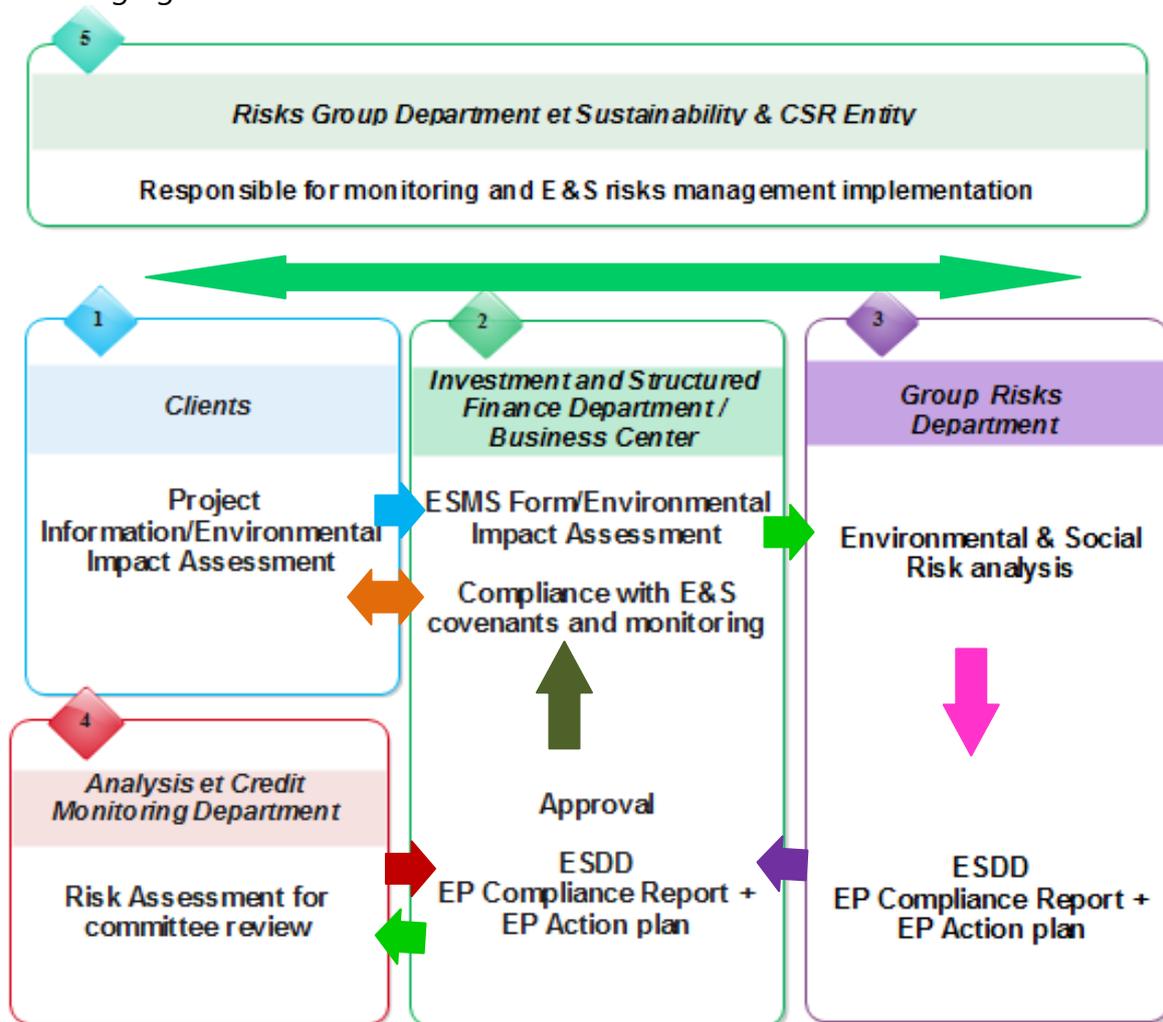
BMCE Bank of Africa's Sustainability & CSR entity, which reports to the Group Governance and Development Department, is responsible for monitoring the Equator Principles, in coordination with the Bank's relevant departments: Group Risks, E&S Risk Team, Investment and Structured Finance, *Analysis and Monitoring of Commitments* Department, as well as the Branch network.

Social and Environmental Risk Process

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

1. The *Investment and Structured Finance Department (ISFD)* and the *Business Centers (BC)* in question request an Environmental Impact Assessment (EIA) and information regarding the project, in order to complete the ESMS form (a sector-based questionnaire for E&S risk assessment and management).
2. The *Risks Group Division* studies the ESMS form, analyses the EIA, and conducts environmental and social due diligence (ESDD) in accordance with IFC performance standards. Following the ESDD, an Equator Principles compliance report is prepared by the E&S Risk department and monitored by the Sustainability & CSR entity.
3. Both reports are submitted to the ISFD/BC, which then transfer them to the *Analysis & Credit Monitoring Department*.
4. Upon approval, the *Risks Group Division* informs the customer of the required action plan via the ISFD.

The following flow-chart summarises BMCE Bank of Africa’s organisational structure for managing environmental and social risks:



Equator Principles reporting

The EP-applicable transactions having reached financial close in FY 2018 are shown in Table 1 for Project Finance. The projects were identified and assessed by applying IFC’s performance standards as per the bank’s adopted methodology and the Equator principles 1 through 10 (based on category).

- **Project Finance**

During 2018, BMCE Bank of Africa provided funding for one qualifying category “B” Equator Principles Project Finance.

In 2018, BMCE Bank of Africa approved loans and other financial services to infrastructure, general manufacturing and real estate sector. The majority of this financing is eligible to EPs but did not reach financial closing in 2018.

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

Table 1: Breakdown of Equator Principles Project Finance transactions Closed in FY18

Appraisal of transactions by BMCE Bank of Africa	2018				2017				2016			
	Total	A	B	C	Total	A	B	C	Total	A	B	C
By category¹												
	-	-	-	.	1	-	1	.	7	1	3	3
By sector												
Mining	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	6	-	3	3
Oil & Gas	-	-	-	-	-	-	-	-	-	-	-	-
Power	-	-	-	-	-	-	-	-	1	1	-	-
Others	-	-	-	-	1	-	1	-	0	-	-	-
By cost (USD M)												
					34.8	-	34.8	-	258.6	69	58.4	158.2
By region												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe, Middle East and Africa	-	-	-	-	1	-	1	-	7	1	3	3
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-
By country designation²												
Designated countries	-	-	-	-	-	-	-	-	-	-	-	-
Non-designated countries	-	-	-	-	1	-	1	-	7	1	3	3
By independent Review³												
Yes	-	-	-	-	-	-	-	-	1	1	-	-
No	-	-	-	-	1	-	1	-	6	-	3	3
By project name reporting⁴												
	-	-	-	-	-	-	-	-	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, BMCE Bank of Africa relies on the expertise of audit firms such as Vigeo Eiris and Bureau Veritas to evaluate indirect impacts related to its clients' activities.



Vigeo Eiris is the leading European rating and research agency, which evaluates organizations' integration of social, environmental and governance factors into their strategies, operations and management to promote economic performance and responsible investment, aiming at sustainable value creation.

<http://www.vigeo-eiris.com/>



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 managed by the Sustainability & CSR team. 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.

- Comparison to Previous Year

BMCE Bank of Africa reported Zero EP "Project Finance" transaction which reached financial closing in 2018, versus 1 transaction in 2017.

- BMCE 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 BMCE Bank of Africa Group updated the Risk Management Policy and put in place a dedicated E&S Risk Team.
- **2019:** In partnership with CDC UK, BMCE BOA Group ESMS renovation and deployment across the Group throughout the course of 2019-2021.

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 2019, 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**".
 - **"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.

- **“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.
 - **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.
 - 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), BMCE 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.



- **2018 :** BMCE BOA figures in the **“Casablanca ESG 10” index** and awarded **“Top Performer RSE”** de Vigeo
- **2019: 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.

- **BMCE 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. BMCE 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.

