2016 Equator Principles Report

July 31, 2017

EQUATOR PRINCIPLES

BMCE BANK OF AFRICA
البنك المغربي للتجارة الخارجية لإفريقيا

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Introduction

This report provides an overview of the most recent data for the 2016 financial year (from January 1st to December 31st, 2016). The recorded transactions have been measured in accordance with the requirements of the3rd version of the Equator Principles (EPIII), officially adopted June 4th, 2013. This report includes projects assessed and approved, with particular attention given to those whose financial closure was in 2016.

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 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.

91 Equator Principles Financial Institutions (EPFIs) in 37 countries have officially adopted the Equator Principles, covering over 70 percent of international Project Finance debt in emerging markets. BMCE Bank of Africa has been an EP member since 2010.

For further information about the Equator Principles, please consult the official site 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 socially responsible projects respectful of environmental standards. This is reflected through the methodologies developed by the bank to identify, avoid, 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 social and environmental 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 social and environmental risks
- Proposing an action plan

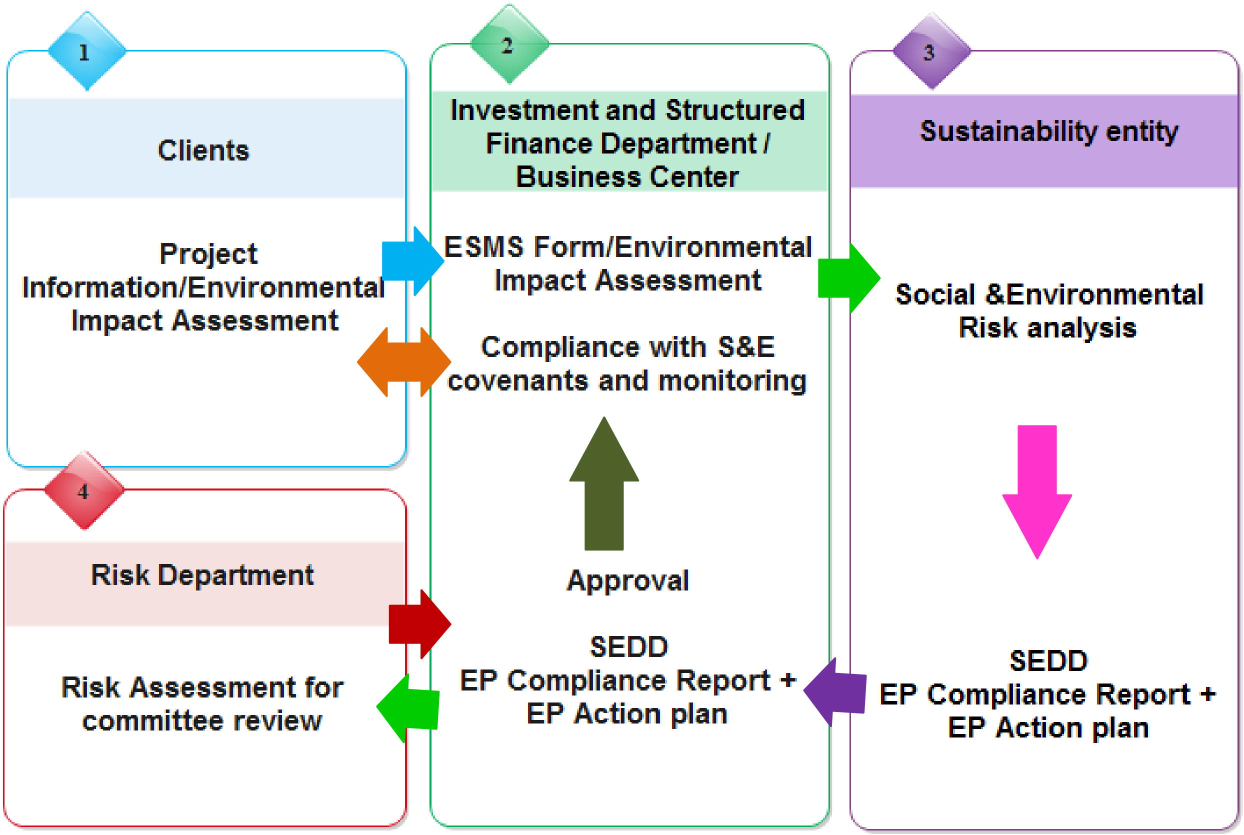
BMCE Bank's Sustainability entity, which reports to the Governance and Development Department, is responsible for monitoring and implementing the Equator Principles, in coordination with the Bank's relevant departments: Investment and Structured Finance, Group Risks, as well as the branch network. The Sustainability entity operates independently from the Investment and Structured Finance Department (ISFD).

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 Report and information regarding the project, in order to complete the ESMS form (a sector-based questionnaire for S&E risk assessment and management).
2. The Sustainability entity studies the ESMS form, analyses the Environmental Impact Report, and conducts social and environmental due diligence (SEDD) in accordance with IFC requirements. Following the SEDD, an Equator Principles compliance report is prepared by the Sustainability entity.
3. Both reports are submitted to the ISFD/BC, which then transfer them to the Group Risks Departments.
4. Upon approval, the Sustainability entity informs the customer of the required action plan via the ISFD.

The following flow-chart summarises BMCE Bank's organisational structure responsible for managing social and environmental risks:



<u>Environmental and Social Risk Training and Support</u>

In 2016, BMCE Bank continued the EP training cycles for the entire business network (in Morocco) to guarantee that E&S risks are integrated in the decision-making process and to ensure better implementation of E&S procedures and commitments. Implementation includes 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 social and environmental risks
- Proposing an action plan

These targeted and customized programs have facilitated the training of 74% of employees (business managers and account managers) on Social and Environmental Risk Management.

On an African continental level in 2016, 85% of Bank of Africa Group's subsidiaries benefited from a training seminar entitled "How to manage Environmental and Social Risks In a sustainable manner?" Attended by 15 BOA subsidiaries, the seminar's objective was to:

- Understand the main components of an E&S management system
- Acquire practical skills for managing E&S risks
- Create synergies between the various players in E&S risk management within the BMCE Bank of Africa Group
- Present the feedback and experience of BMCE Bank on ESMS/EP implementation, as well as business opportunities (MorSEFF, SRI Funds and various other initiatives)

The EPIII training was conducted in two parts. The first one covering theoretical aspects, including:

- overview of the importance of sustainable finance and the relationship between the social and environmental risks and finance
- explanation of the national regulatory context overview of the Equator Principles, their history and purpose
- in-depth presentation of the 10 Equator Principles with concrete examples
- presentation of IFC’s 8 Performance Standards
- presentation of social and environmental risk management methodology
- discussion about the benefits of the Equator Principles and the challenges encountered in their implementation.

The second part covered the practical application of the Equator Principles through evaluation exercises including:

- Questions related to the categorisation
- Questions linked to risk type(s)
- A case study

➢ **New methodological approach based on Positive Impact Finance**

Our ambition in 2017 is to develop a new methodology for analyzing and evaluating social and environmental risks. The objective of this new impact-based approach is to contribute to bridging the funding gap for the attainment of the UN 17 SDGs, to foster a more sustainable development through a holistic appraisal of the positive and negative impacts on the economic, ecological and human aspects of the projects financed.

BMCE Bank of Africa, aside nearly 20 leading global banks and investors on their market, launched on January 30th in Paris the "**Principles for Positive Impact Financing**," an innovative international framework enabling the financial sector to assess the sustainable dimension of their assets.

By adhering to these principles, BMCE Bank of Africa strengthens its position as a regional reference player, forerunner in promoting Positive Impact Finance. A strong step forward for BMCE Bank of Africa Group, reflecting the integration of its Sustainability commitments and strategy to finance a clean and low-carbon projects benefitting all stakeholders.

The aim is to develop:

- A common Framework to assist the financial community and a wider set on public and private stakeholders in identifying, evaluating and promoting positive impact activities, entities and project
- A collaborative approach focused on problem solving and implementation of new business models and financing solutions.

Equator Principles reporting

The EP applicable transactions having reached financial close in FY 2016 are shown in Table 1 for Project Finance and Table 2 for Project-related Corporate Loans. 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**

In 2016, 7 transactions falling within the scope of the Equator Principles reached Financial close. 14% of transactions signed were category A, 43% were category B and C. 100% of projects were located in Non Designated Countries (Africa). The Table 1 below shows the breakdown of 2016 EP transaction, compared to those identified in 2015.

Table 1: Breakdown of Equator Principles Project Finance transactions closed in FY 16

Transactions analysed by BMCE Bank	2016				2015			
	Total	**A**	**B**	**C**	**Total**	**A**	**B**	**C**
By category[1]								
	7	1	3	**3**	**3**	1	2	-
By sector								
Mining	**-**	-	-	-	**-**	-	-	-
Infrastructure	**6**	-	3	3	**1**	1	-	-
Oil & Gas	**-**	-	-	-	**-**	-	-	-
Power	**1**	1	-	-	**1**	-	-	-
Others	**0**	-	-	-	**2**	-	2	-
By cost (USD M)								
	258.6	69	58.4	158.2	**107**	72.5	34.5	-
By region								
Americas	**-**	-	-	-	**-**	-	-	-
Europe, Middle East and Africa	**7**	1	3	3	**3**	1	2	-
Asia Pacific	**-**	-	-	-	**-**	-	-	-
By country designation[2]								
Designated countries	**-**	-	-	-	**-**	-	-	-
Non-designated countries	**7**	1	3	3	**3**	1	2	-
By independent Review[3]								
Yes	**1**	1	-	-	**1**	1	-	-
No	**6**	-	3	3	**2**	-	2	-
By project name reporting[4]								
	2	-	2	-	**2**	-	2	-

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
2. 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.**
3. 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.
4. Project Name Reporting indicates the number of clients who have agreed that high-level project details can be disclosed on the Equator Principles website.

- **Project-related Corporate Loans**

The table below illustrates the 2 Project-related Corporate loans which have reached financial close during the reporting period. Breakdowns are provided by category, sector, region, country designation and by an independent review.

Table 2: Breakdowns of Project-Related Corporate loans transactions closed in FY 16.

Transactions analysed by BMCE Bank	**2016**				**2015**			
	Total	**A**	**B**	**C**	**Total**	**A**	**B**	**C**
Par category								
	2	-	-	**2**	**-**	-	-	-
By sector								
Mining	**-**	-	-	-	**-**	-	-	-
Infrastructure	**-**	-	-	-	**-**	-	-	-
Oil & Gas	**-**	-	-	-	**-**	-	-	-
Power	**-**	-	-	-	**-**	-	-	-
Others	**2**	-	-	2	**-**	-	-	-
By Cost								
	310.5	-	-	310.5	**-**	-	-	-
By region								
Americas	**-**	-	-	-	**-**	-	-	-
Europe, Middle East and Africa	**2**	-	-	2	**-**	-	-	-
Asia Pacific	**-**	-	-	-	**-**	-	-	-
By country designation								
Designated country	**-**	-	-	-	**-**	-	-	-
Non designated country	**2**	-	-	2	**-**	-	-	-
By independent review								
Yes	**-**	-	-	-	**-**	-	-	-
No	**-**	-	-	2	**-**	-	-	-

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 builds 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/

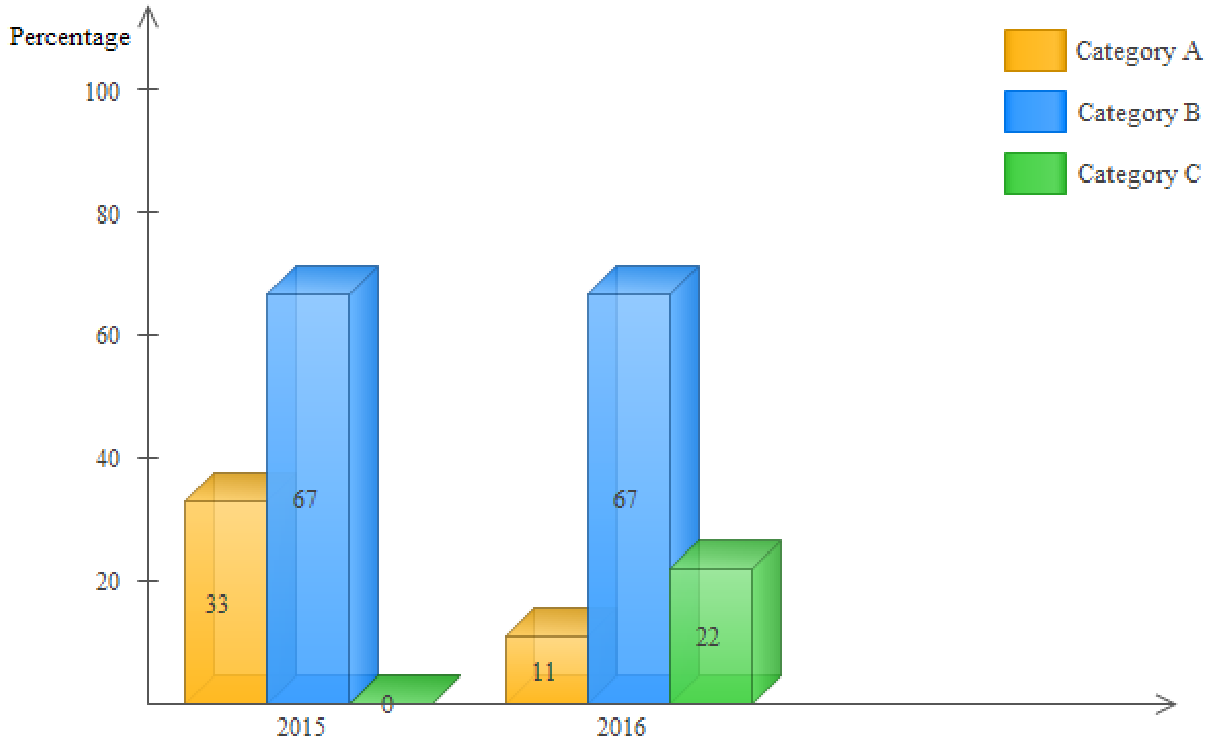
Additional Reporting

In 2016, 9 projects assessed and/or approved were eligible for the Equator Principles, versus 3 in 2015. These projects included Project Finance and Project-Related Corporate Loans.

The analysis of transactions reaching financial close indicates a predominance of category B projects with 67% of global cost corresponding to 3 transactions over 9, the category C representing 22% and 11% for category A. The graphs below demonstrate the breakdown by category, by sector, by country designation and by cost of all transactions that have reached financial close in 2016.

- **Breakdown by Category**

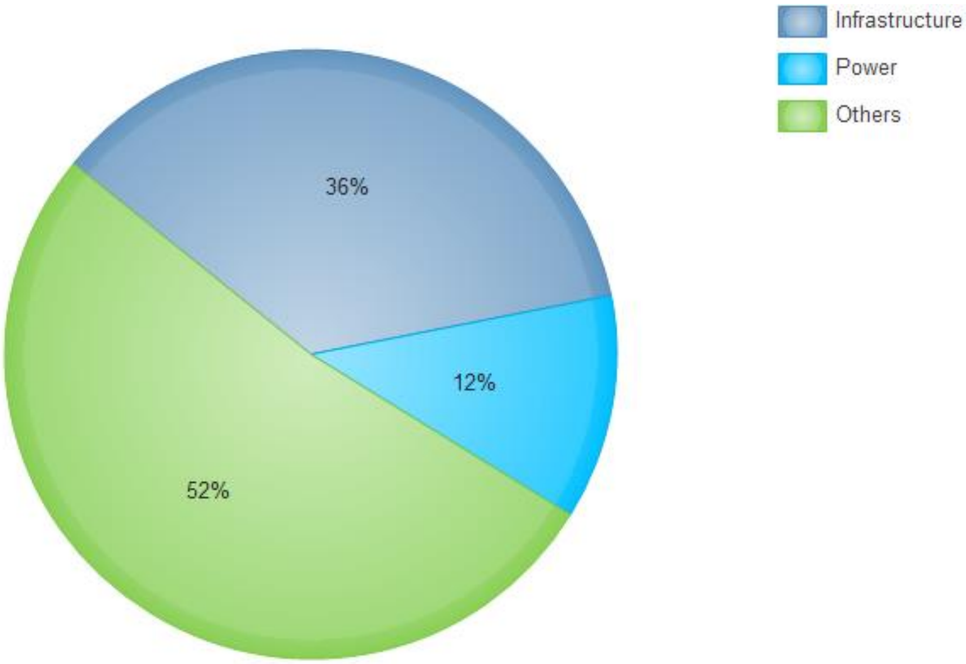
Comparison of financial closed projects by category (2015-2016)



➢ Breakdown by Sector

The graphs below show the breakdown of costs by sector and number of transactions identified.

- **Sector**



- **Number of Projects**