



# 2020 Equator Principles Report

July 31, 2021



## Contents

<b>Introduction</b>	<b>3</b>
<b>What are the Equator Principles?</b>	<b>3</b>
<b>Implementation of the Equator Principles by Bank of Africa</b>	<b>4</b>
<b>Environmental and Social Risk Analysis Process</b>	<b>4</b>
<b>Equator Principles reporting</b>	<b>6</b>
Project Finance	6
<b>Independent audit organisations</b>	<b>8</b>
<b>Additional Information</b>	<b>9</b>
Awareness	9
Comparison to Previous Year	9
Bank of Africa's ESG track record	9
Bank of Africa, Signatory of the United Nations Global Compact	11
Bank of Africa, Signatory of the Principles for Responsible Banking	11

## **Introduction**

This report provides an overview of the most recent data for the 2020 financial year (from January 1<sup>st</sup> to December 31<sup>st</sup>, 2020). The recorded transactions have been measured in accordance with the requirements of the 3<sup>rd</sup> version of the Equator Principles (EPIII), officially adopted June 4<sup>th</sup>, 2013.

## **What are the Equator Principles?**

**The Equator Principles (EP) 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.

**Launched in 2003**, the EP are based on the International Finance Corporation Performance Standards on social and environmental sustainability as well as the World Bank Group Environmental, Health, and Safety Guidelines. The Principles were updated in, The EPs are updated periodically, in 2006 (EPII), followed by the EPIII in 2013, and EP4 released in Nov. 2019, coming into effect in October 2020.

The 4<sup>th</sup> 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.

The EPs apply globally, to all industry sectors and to five financial products: 1) Project Finance Advisory Services, 2) Project Finance, 3) Project-Related Corporate Loans, and 4) Bridge Loans and 5) Project-Related Refinance, and Project-Related Acquisition Finance.

**As of July 2021, 118 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. **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](http://www.equator-principles.com)

## **Implementation of the Equator Principles by Bank of Africa**

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

All information regarding the EPs is available to employees on intranet pages, in addition to revising guidance documents and procedures to ensure the effective application of EP4.

Our general credit policy, processes and procedures have been updated to reflect the latest methodology of environmental and social risk analysis and Positive Impact (PI) evaluation. The assessment process also considers a project's characteristics and its geographical location.

At Bank of Africa, the Equator Principles transactions are managed through the E&S Risk Team under the Analysis of Commitments Division, which reports to Group Risks. The team's responsibilities include the following steps:

- Identifying and categorising 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 clients via the *Investment and Structured Finance Department (ISFD) / Corporate*
- Providing support to the *ISFD/Corporate* for Monitoring the EP action plans.

Bank of Africa's Sustainability & CSR department, which reports to Group Governance and Development, is responsible for monitoring the implementation of 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.

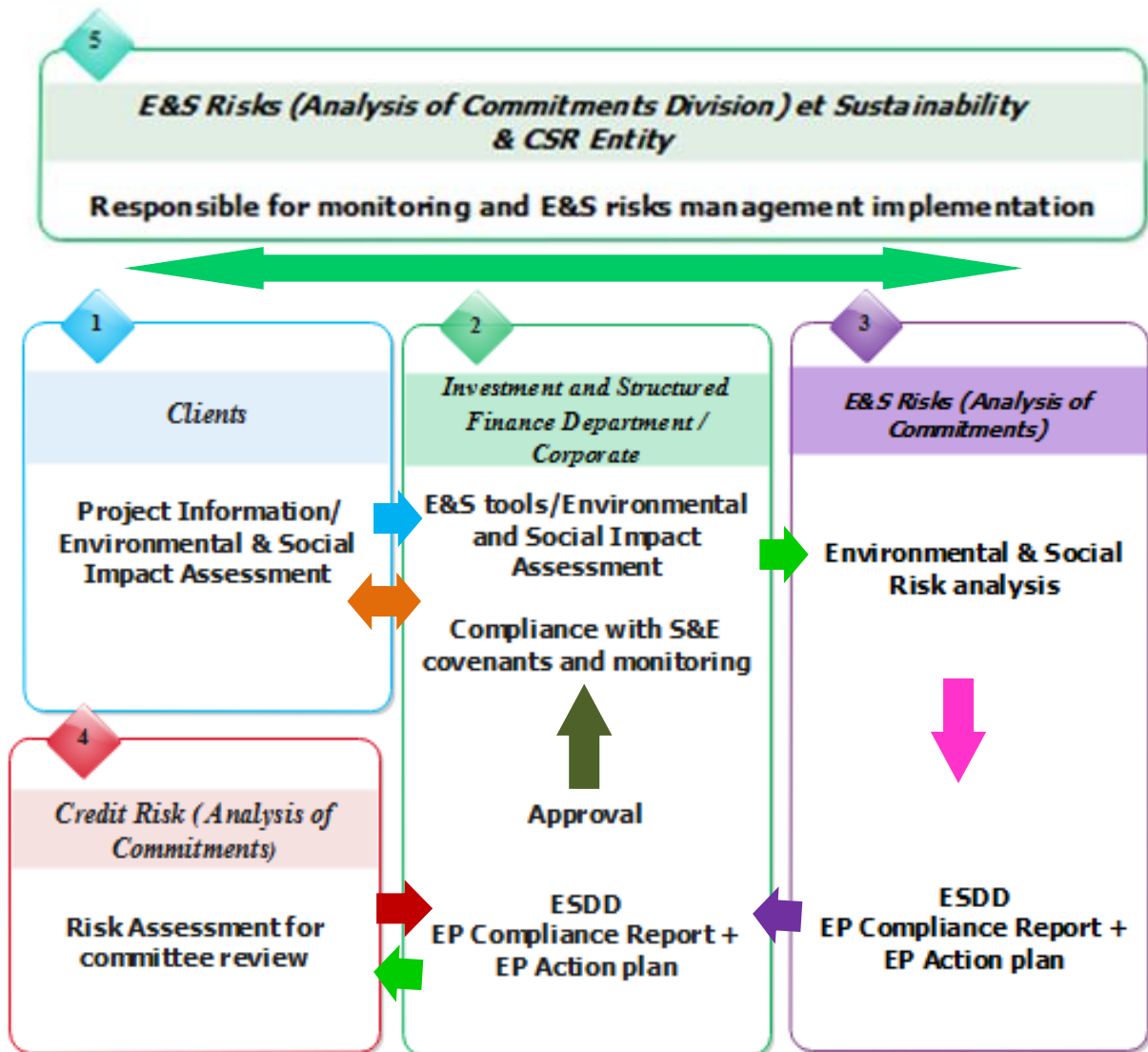
## **Environmental and Social Risk Process**

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

1. The *Investment and Structured Finance Department (ISFD) and Corporate* 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. Following the ESDD, an Equator Principles compliance report is prepared by the E&S Risk team (*Analysis of Commitments*) and monitored by the Sustainability & CSR department.

3. Both reports are submitted to the ISFD/ Corporate, which then transfer them to the *Credit Risk (Analysis of Commitments)*.
4. Upon approval, the ISFD/Coporate 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:



## **Equator Principles reporting**

The EP-applicable transactions reaching financial close in FY 2020 are shown in Table 1 for Project Finance. The projects were identified and assessed by applying IFC's performance standards and the 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 2020, three project finance transactions falling within the scope of the Equator Principles were signed. These projects went through the Environmental & Social due diligence process and were identified and assessed by applying IFC's performance standards as per the bank's methodology and the EPs (based on category). All three projects were categorized as A, related to the infrastructure sector and based in Morocco.

### **- Project Finance**

During 2020, Bank of Africa provided funding for three qualifying category "A" Equator Principles Project Finance.

The table below summarises the number of transactions signed during the past three financial years, reported by category, sector, cost, region, country designation, independent review and project name.

**Table 1: Breakdown of EP Project Finance transactions Closed in FY 2020**

Appraisal of transactions by Bank of Africa	2020				2019				2018			
	Total	A	B	C	Total	A	B	C	Total	A	B	C
<b>By category<sup>1</sup></b>												
	3	3	-	.	1	1	-	.	-	-	-	-
<b>By sector</b>												
Mining	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	3	3	-	-	1	1	-	-	-	-	-	-
Oil & Gas	-	-	-	-	-	-	-	-	-	-	-	-
Power	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
<b>By cost (USD M)</b>												
	177.22	177.2	-	-	144	144	-	-	-	-	-	-
<b>By region</b>												
Americas	-	-	-	-	-	-	-	-	-	-	-	-
Europe, Middle East and Africa	3	3	-	-	1	1	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-
<b>By country designation<sup>2</sup></b>												
Designated countries	-	-	-	-	-	-	-	-	-	-	-	-
Non-designated countries	3	3	-	-	1	1	-	-	-	-	-	-
<b>By independent Review<sup>3</sup></b>												
Yes	2	2	-	-	1	1	-	-	-	-	-	-
No	-	1	-	-	-	-	-	-	-	-	-	-
<b>By project name reporting<sup>4</sup></b>												
	2	2	-	-	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
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 EPs.**
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.

## 5. 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 Vigeo Eiris acquired by Moody's and Bureau Veritas to evaluate indirect impacts related to its clients' activities.



**Vigeo Eiris**, which is part of **Moody's ESG Solutions**, 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 is available to staff on the Bank's intranet pages. The internal toolkit includes technical reference documents to provide guidance to users and to reinforce awareness of Good International Industry Practice (GIIP).

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

#### - Comparison to Previous Year

Bank of Africa reported 3 EP "Project Finance" transaction which reached financial closing in 2020, versus 1 transaction in 2019.

#### - Bank of Africa's ESG track record

### E&S Risk Management

- **2008:** E&S management system in partnership with IFC.
- **2010:** Bank of Africa was the first FI in the region to become an Equator Principles Bank. 11 years later, it is still the only EP Moroccan Bank.
- **2016:** a turning point when Bank of Africa Group updated its Risk Management Policy and put in place a dedicated E&S Risk Team; E&S Action plan in conjunction with new Waste & Water facilities.
- **2020:** In partnership with CDC UK, update of the ESMS and deployment across the Group, including BOA Affiliate, throughout 2020-2021.

### Sustainable & Impact Finance

- **2015:** 1<sup>st</sup> 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:** 1<sup>st</sup> Green Bond by Public Offering amounting 500 M MAD, labelled as *Positive Impact Bond*.
- **Water Financing facility** to tackle **Adaptation to Climate Change, signed 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 signed 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 ESG rating by Vigeo Eiris, which is part of Moody’s, 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 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: Women In Business Program for Women Entrepreneurs in Morocco** includes a support program in partnership with the EBRD; 20 M Euros with free technical assistance and a mentoring program.
- **2020 :** Bank of Africa is in the “**Casablanca ESG 10**” index, as well as being designated “**Top CSR Performer**” by V.E, part of Moody's ESG Solutions
- **July 2021:** Best Emerging Market Performers ranking V.E, part of Moody's ESG Solutions, has updated its Best Emerging Market Performers ranking as of July 2021. This ranking is comprised of the best performing companies listed in Developing markets and which social responsibility approaches are the most advanced in a reference universe of 855 companies from 31 different countries. The composition of this ranking is updated twice a year. The companies selected in this review are listed in 17 countries and belong to 22 different sectors. Their scores are the highest of their universe in the fields of human rights, decent employment practices, environmental protection, corporate governance, business [...] [https://vigeo-eiris.com/wp-content/uploads/2021/07/Best-EM-Performers-Ranking\\_07\\_2021UPDATED.pdf](https://vigeo-eiris.com/wp-content/uploads/2021/07/Best-EM-Performers-Ranking_07_2021UPDATED.pdf)

- **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.

More than 180 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 join UN Women “Women's Empowerment Principles ”**

In order to stimulate the Bank of Africa Group's gender approach alongside a community for sharing global best practices, last March the Group joined the partnership initiative of the United Nations Global Compact and UN Women “Women's Empowerment Principles ”, through the signing of the Declaration in favor of the principles of empowerment of women

This initiative brings together a set of discussions intended to strengthen the commitments of the Bank and its subsidiaries in terms of professional equality and the economic empowerment of women through the implementation of programs and products. WEP is made up of 7 principles: (i) high level corporate leadership; (ii) treat all women and men at work fairly without discrimination; (iii) health, well-being and safety of employees; (iv) education and training for professional development; (v) business development, supply chain and marketing practices; (vi) community initiatives and mobilization; and (vii) measurement and public reporting on the progress made.

