

A Sustainable Banking Network (SBN)  
Flagship Report  
Addendum to SBN Global Progress Report

October 2019

# Country Progress Report

## Morocco



Sustainable  
Banking  
Network



**IFC**

International  
Finance Corporation  
WORLD BANK GROUP

*Creating Markets, Creating Opportunities*

© International Finance Corporation [2019], as the Secretariat of the Sustainable Banking Network (SBN). All rights reserved. 2121 Pennsylvania Avenue, N.W. Washington, D.C. 20433 Internet: [www.ifc.org](http://www.ifc.org). The material in this work is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. IFC and SBN encourage dissemination of their work and will normally grant permission to reproduce portions of the work promptly, and when the reproduction is for educational and non-commercial purposes, without a fee, subject to such attributions and notices as we may reasonably require.

IFC and SBN do not guarantee the accuracy, reliability, or completeness of the content included in this work, or the conclusions or judgments described herein, and accept no responsibility or liability for any omissions or errors (including, without limitation, typographical errors and technical errors) in the content whatsoever or for reliance thereon. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank Group concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

This work was prepared in consultation with SBN members. The findings, interpretations, and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of The World Bank Group, IFC, or the governments they represent. The contents of this work are intended for general informational purposes only and are not intended to constitute legal, securities, or investment advice, an opinion regarding the appropriateness of any investment, or a solicitation of any type. IFC or its affiliates may have an investment in, provide other advice or services to, or otherwise have a financial interest in, certain of the companies and parties named herein.

All other queries on rights and licenses, including subsidiary rights, should be addressed to IFC's Corporate Relations Department, 2121 Pennsylvania Avenue, N.W., Washington, D.C. 20433. International Finance Corporation is an international organization established by Articles of Agreement among its member countries, and a member of the World Bank Group. All names, logos and trademarks are the property of IFC and you may not use any of such materials for any purpose without the express written consent of IFC. Additionally, "International Finance Corporation" and "IFC" are registered trademarks of IFC and are protected under international law.

Table of Contents

1. Country progress summary .....1

2. Overview of policy coverage by indicators ..... 3

3. Policy coverage developed ..... 4

4. Policy coverage to be developed ..... 7

# 1. Country progress summary – Morocco



## **SBN Member:**

- ☐ [Bank Al-Maghrib \(BKAM\)](#) (member since 2014)
- ☐ [Moroccan Capital Market Authority \(AMMC\)](#) (member since 2018)

**SBN Working Group:** Co-chair of the Green Bond Working Group

## **Key policy documents:**

- ☐ Roadmap for aligning the Moroccan financial sector with sustainable development (BKAM, 2016)
- ☐ Green Bonds Guidelines (AMMC, 2016)
- ☐ Banks and Climate Charter (Groupement Professionnel des Banques du Maroc - GPBM, 2016)
- ☐ Green, Social, and Sustainability Bonds Guidelines (AMMC, 2018)
- ☐ Amended Listed Rules – draft (AMMC, 2018)

## **Key milestones since 2018 SBN Report:**

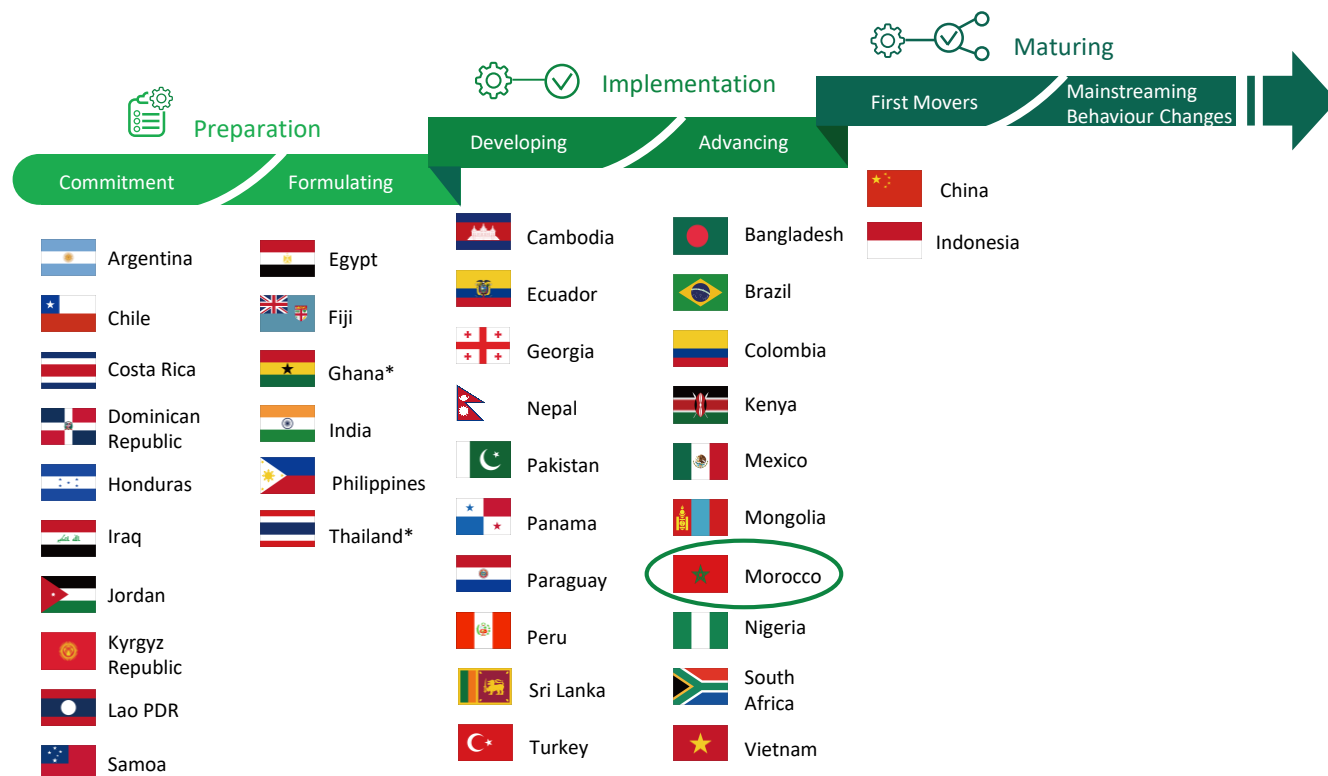
- ☐ AMMC joined SBN and became a member in 2018.
- ☐ AMMC launched “Green, Social, and Sustainability Bonds Guidelines” (2018), and is updating the Listed Rules.
- ☐ Morocco has therefore progressed from “Developing” to “Advancing” under the “Implementation” stage, as indicated in the “Progression Matrix” below.

**Ambitions for next phase:** Bank Al-Maghrib is developing a new regulatory text, which is expected to introduce requirements for FIs to disclosure information on environmental topics.

**SBN and IFC role:** IFC has provided advisory services to both AMMC and BKAM in relation to policy development, implementation, and capacity building. Through SBN, both have shared their experiences with other SBN members and benefited from the collective SBN knowledge base and engagement in global dialogue.

**Figure 1: SBN Progression Matrix with Assessment Results<sup>1</sup>**

Assessment based on progress up to and as of June 2019<sup>2</sup>

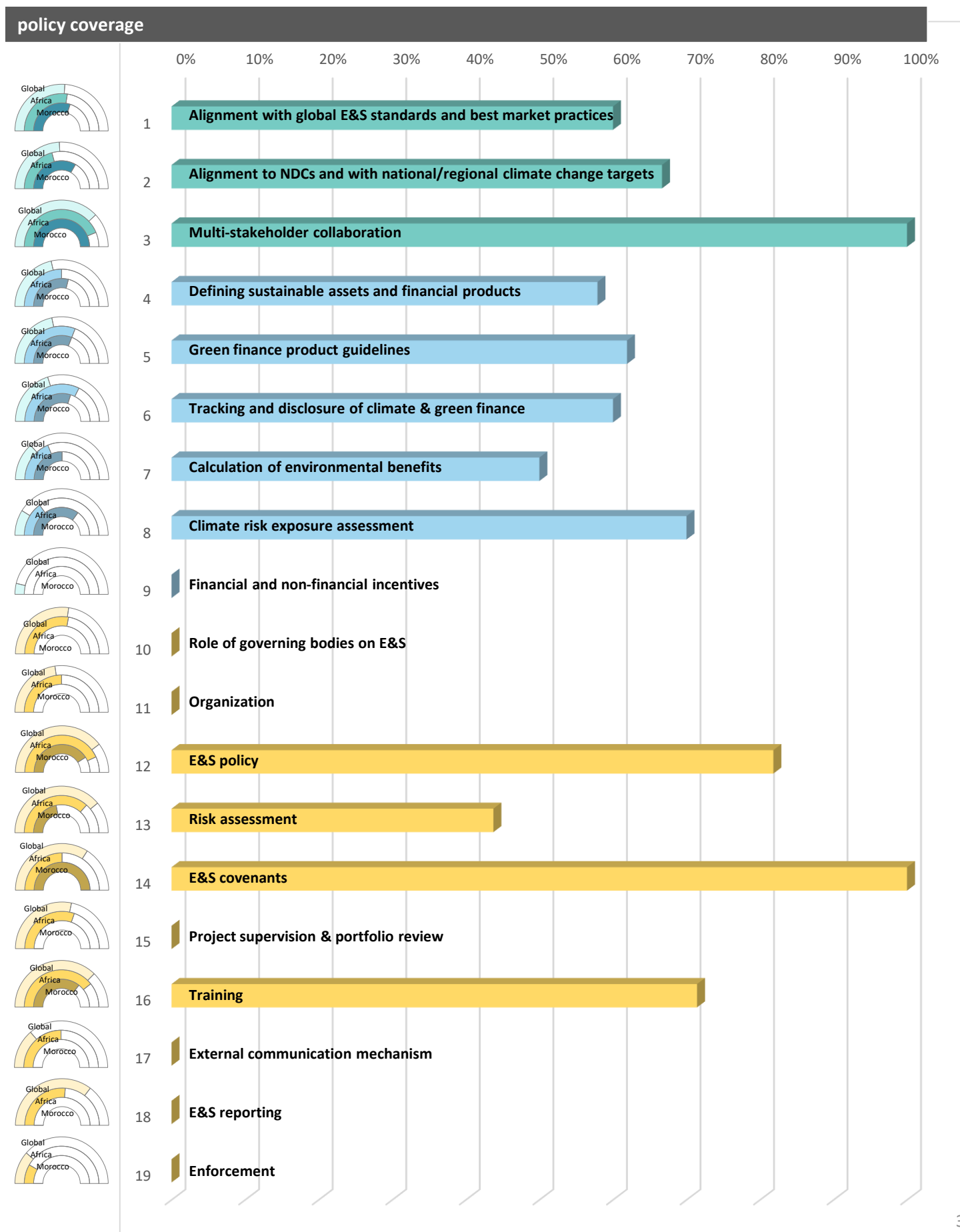


Note:

1. Please refer to the SBN Global Progress Report for an explanation of the Progression Matrix.

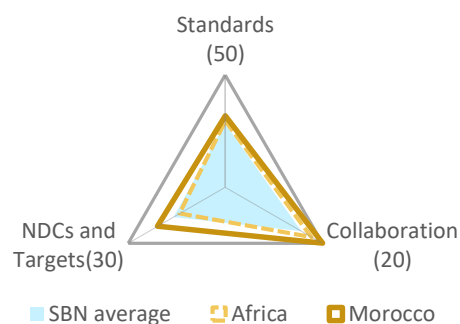
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.

## 2. Overview of policy coverage by indicators



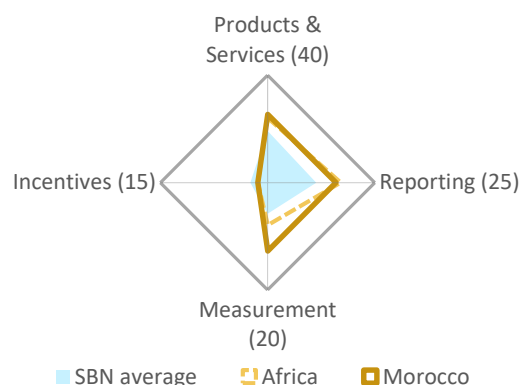
### 3. Policy coverage developed

#### Pillar I: Strategic Alignment



| Indicator   | Policy requirement  | Reference  |
|---|---|--|
| Alignment with global E&S standards and best market practices       |   |  |
| <b>Indicator 1</b>  | <p>The Roadmap draws on international best practice and asks FIs to ‘favor the use of international standards’.</p> <p>The Banks and Climate Charter mentions the Equator Principles as a best practice implemented by one bank.</p>  | <p>Roadmap for aligning the Moroccan financial sector with sustainable development (BKAM, 2016) - page 8 (§3) and 16 (III., §3); Green, Social and Sustainability Bonds Guidelines (AMMC, 2018) - page 12 &amp; 13</p> <p>Banks and Climate Charter (GPBM, 2016)</p> |
| Alignment to NDCs and with national/regional climate change targets |   |  |
| <b>Indicator 2</b>  | <p>The Roadmap mentions Morocco’s NDCs, even if no formal alignment is targeted.</p>  | <p>Roadmap for aligning the Moroccan financial sector with sustainable development (BKAM, 2016) - page 11, §7</p>  |
| Multi-stakeholder collaboration                                     |   |  |
| <b>Indicator 3</b>  | <p>The large combined effort that Moroccan regulatory agencies and industry associations have made to develop the Roadmap demonstrates a strong shared commitment to sustainable finance.</p> <p>The framework involves inter-agency collaboration between financial supervisors/regulators, industry associations, and FIs. This collaboration also includes other public agencies and representatives of civil society.</p> | <p>Roadmap for aligning the Moroccan financial sector with sustainable development (BKAM, 2016) - page 3, 12, 17</p>   |

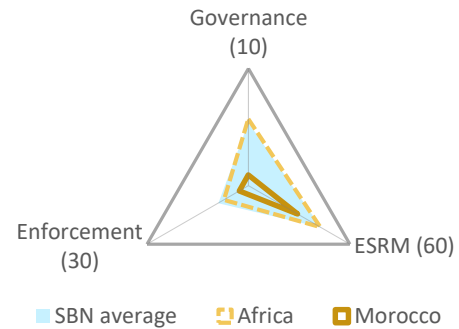
## Pillar II: Climate and Green Finance



| Indicator                              | Policy requirement  | Reference  |
|--|---|--|
| Products and services                  |   |  |
| <b>Indicator 4, 5</b>                  | <p><u>Defining sustainable assets and financial products</u><br/>The Roadmap encourages the issuance of green bonds and the development of other products and services with E&amp;S benefits.</p> <p>The framework provides definitions and examples of green assets, as well as social and/or sustainable assets, for both debt and non-debt products.</p> <p><u>Green finance product guidelines</u><br/>The AMMC issued Green, Social and Sustainability Bond Guidelines, which deepened the issuers' and investors' understanding.</p> <p>The framework refers to existing standards and recommends external party verification.</p>  | <p>Roadmap for aligning the Moroccan financial sector with sustainable development (BKAM, 2016) - page 15 (Capital market, §6), page 14 (Banking sector, §2), 15, 16 (III.); (2); (4)]. Green Bonds Guidelines (AMMC, 2016) - page 9 (Use of proceeds); Green, Social and Sustainability Bonds Guidelines (AMMC, 2018) - page 7, 8, 9, 14 (Banking sector, §2), 15, 16 (III.); Green, Social and Sustainability Bonds Guidelines (AMMC, 2018)</p> <p>Banks and Climate Charter (GPBM, 2016) - page 8 &amp; 9; Green, Social and Sustainability Bonds Guidelines (AMMC, 2018) &amp; Green Bonds Guidelines (AMMC, 2016) - page 7 (§5) &amp; page 19 ; Green, Social and Sustainability Bonds Guidelines (AMMC, 2018) - page 19; - Amended Listed Rules – draft (AMMC, 2018) page 52 – V</p> |
| Climate and green investment reporting |   |  |
| <b>Indicator 6</b>                     | <p>The Roadmap encourages reporting of green finance flows and transparency with regard to the E&amp;S profiles of investments, especially from asset managers.</p> <p>The AMMC's rulebook and latest Guidelines set E&amp;S reporting requirements for issuers, and specific reporting requirements for green bonds are currently being introduced. The Guidelines also encourage FIs to publicly report their green finance activities.</p>   | <p>Green Bonds Guidelines (AMMC, 2016) - page 15 (§2 "Periodic information"); Amended Listed Rules – draft (AMMC, 2018) - page 74-75 - II.2 - II.2.6</p> <p>Green Bonds Guidelines (AMMC, 2016) - page 15 (§2 "Periodic information"); Amended Listed Rules – draft (AMMC, 2018) - page 74-75 - II.2 - II.2.6</p>  |
| Measurement                            |   |  |
| <b>Indicator 7, 8</b>                  | <p><u>Calculation of environmental benefits</u><br/>The Roadmap recommends that lenders identify and evaluate carbon risks but doesn't prescribe the methods of doing so.</p> <p><u>Climate risk exposure assessment</u><br/>The policy requires FIs to monitor climate risk exposure at portfolio level. The GPBM's Banks and Climate Charter also suggests that banks should decarbonize their loan books using sector-by-sector exclusion criteria. Banks are also encouraged to take mitigation steps.</p> <p>The AMMC's Guidelines asks issuers, including FIs, to monitor E&amp;S impacts throughout the life of a product and to list key activities, such as external review and investor disclosure.</p> | <p>Roadmap for aligning the Moroccan financial sector with sustainable development (BKAM, 2016) - page 6, 13 (Banking sector, §2) &amp; 15</p> <p>Roadmap for aligning the Moroccan financial sector with sustainable development (BKAM, 2016) - page 6, 13 (Banking sector, §2) &amp; 15; Banks and Climate Charter (GPBM, 2016) - page 10 (Engagement 4)</p> <p>Green Bonds Guidelines (AMMC, 2016) - page 15 (§2 "Periodic information", 2nd bullet point)</p>  |
| Incentives                             |   |  |
| <b>Indicator 9</b>                     | -   | -  |



## Pillar III: ESG Integration



| Indicator                      | Policy requirement   | Reference  |
|--------------------------------|--|--|
| <b>Governance of E&amp;S</b>   |  |  |
| <b>Indicator 10, 11</b>        | The Roadmap requires all FIs to set up and adopt a sustainable finance charter. It is also one of the few frameworks in SBN to set out separate scopes of application for banking, insurance, and the capital markets.   | Roadmap for aligning the Moroccan financial sector with sustainable development (BKAM, 2016) - page 13 (Step 3, §2 and 1st cross-sectoral measures)  |
| <b>E&amp;S risk management</b> |  |  |
| <b>Indicator 12 - 18</b>       | <p><u>E&amp;S policy</u></p> <p>The framework asks FIs to formalize an E&amp;S or ESG policy and publicly disclose their E&amp;S policy and its governance. It also encourages FIs to go beyond E&amp;S requirements in local laws and regulations.</p> <p><u>E&amp;S assessment</u></p> <p>The Roadmap recommends that FIs undertake a systematic assessment of E&amp;S risks and opportunities and implement mitigation measures as needed. It also suggests that E&amp;S risks should be categorized and that E&amp;S provisions should be incorporated into financing agreements.</p> <p>The policy requires FIs to carry out appropriate E&amp;S due diligence at transaction level and encourages FIs to categorize projects and clients according to their level of E&amp;S risk.</p> <p><u>E&amp;S covenants</u></p> <p>The framework asks FIs to incorporate E&amp;S covenants and investment conditions into legal agreements with clients.</p> <p><u>Training</u></p> <p>In its capacity building section, the Roadmap highlights the importance of staff sustainability training and the need for sector-wide skills, starting from school curricula. In 2018, this was complemented by a new sustainable finance module in the AMMC's professional licensing framework.</p> | <p>Roadmap for aligning the Moroccan financial sector with sustainable development (BKAM, 2016) - page 7 (Axis 5, Banking Sector) &amp; page 13 (Step 3, §2 and 1st cross-sectoral measures); Green Bonds Guidelines (AMMC, 2016) 5. Engagement 1 page 10</p> <p>Roadmap for aligning the Moroccan financial sector with sustainable development (BKAM, 2016) - page 12 (I., §2 and §4 "Step 1") &amp; 13 (Banking Sector, §1 &amp; 2)</p> <p>Roadmap for aligning the Moroccan financial sector with sustainable development (BKAM, 2016) - page 12 (I., §4 "Step 1") &amp; 13 (Banking Sector, §1 &amp; 2)</p> <p>Roadmap for aligning the Moroccan financial sector with sustainable development (BKAM, 2016) - page 12 (I., §2)</p> <p>Roadmap for aligning the Moroccan financial sector with sustainable development (BKAM, 2016) - page 18 (Cross-sectoral measures, §2) and 19 (Casablanca Finance City, §1 &amp; 2)</p> |
| <b>Enforcement</b>             |  |  |
| <b>Indicator 19</b>            | -  | -  |

## 4. Policy coverage to be developed

| Pillar                               | Sub Pillar  | Gaps | Areas for improvement   |
|--------------------------------------|---|------|---|
| Pillar I: Strategic Alignment        | Alignment with global E&S standards and best market practices       | 40%  | <ul style="list-style-type: none"> <li>➤ Reference to established international green finance reporting</li> <li>➤ Reference to established international climate finance reporting standards</li> <li>➤ Requirement to seek external verification for E&amp;S policies, practices, and results</li> </ul>  |
|                                      | Alignment to NDCs and with national/regional climate change targets | 33%  | <ul style="list-style-type: none"> <li>➤ Defined main climate risks for their local financial sector</li> </ul>   |
|                                      | Multi-stakeholder collaboration                                     | 0%   | -   |
| Pillar II: Climate and Green Finance | Products & services   | 40%  | <ul style="list-style-type: none"> <li>➤ A comprehensive taxonomy for green assets</li> <li>➤ Guidelines for green financial assets (excluding green bond)</li> </ul>   |
|                                      | Climate & green investment reporting                                | 40%  | <ul style="list-style-type: none"> <li>➤ Requirement for FIs to report on climate risk exposure at portfolio level</li> </ul>   |
|                                      | Measurement   | 40%  | <ul style="list-style-type: none"> <li>➤ Taxonomy of potential environmental impacts</li> <li>➤ Methodologies, tools, and/or templates to measure and report environmental impacts</li> <li>➤ Reference to specific climate exposure methodologies</li> </ul>   |
|                                      | Incentives  | 100% | <ul style="list-style-type: none"> <li>➤ Incentives for green financial products/services</li> <li>➤ Financial incentives on green products/services</li> </ul>   |
| Pillar III: ESG Integration          | Governance of E&S   | 100% | <ul style="list-style-type: none"> <li>➤ Requirement of one of FIs' governing bodies to approve an E&amp;S strategy</li> <li>➤ Requirement of FIs' management to report on the E&amp;S strategy implementation to the governing bodies</li> <li>➤ Requirement of FI operational bodies to report to the governing bodies on implementation of the E&amp;S strategy?</li> <li>➤ Requirement for FIs to define role competencies</li> <li>➤ Highlight the roles of front officers and second lines of defense (risk officers and/or compliance officers)</li> <li>➤ Requirement for FIs to define competencies for each role</li> </ul> |

## 4. Policy coverage to be developed (cont.)

| Pillar                              | Sub Pillar          | Gaps | Areas for improvement   |
|-------------------------------------|---------------------|------|---|
| Pillar III: ESG Integration (cont.) | E&S risk management | 57%  | <ul style="list-style-type: none"> <li>➤ Requirement for FIs to set E&amp;S or ESG objectives and targets</li> <li>➤ Requirement to carry out appropriate E&amp;S due diligence at client level</li> <li>➤ Encouragement of site visits for high-risk transactions</li> <li>➤ Invitation to engage with clients to implement mitigation measures in case of negative impacts</li> <li>➤ Requirement for FIs to develop processes to manage E&amp;S risks during supervision</li> <li>➤ Encourage a periodic review of E&amp;S risks at aggregate portfolio level</li> <li>➤ Highlight the training of (i) front officers, (ii) second lines of defense, and (iii) E&amp;S experts</li> <li>➤ Requirement of FIs to establish and maintain any inquiry/complaints/grievance mechanism in relation to E&amp;S or ESG practices</li> <li>➤ Requirement for FIs to report regularly on E&amp;S or ESG performance, including publicly, to investors or regulators</li> <li>➤ Requirement of E&amp;S or ESG reporting and disclosure to be more consistent across financial institutions through introducing principles, guidelines, or templates</li> </ul> |
|                                     | Enforcement         | 100% | <ul style="list-style-type: none"> <li>➤ Implementation of the framework regularly verified or information regularly collected from FIs</li> <li>➤ Financial and non-financial incentives for establishing ESRM systems</li> <li>➤ Sanctions/penalties/warnings in case of noncompliance with the framework</li> </ul>  |

Access the SBN Global Progress  
Report and Country Reports at:  
[www.ifc.org/SBN2019Report](http://www.ifc.org/SBN2019Report)



Sustainable  
Banking  
Network



**IFC**

**International  
Finance Corporation**  
WORLD BANK GROUP

*Creating Markets, Creating Opportunities*