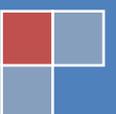


2012

Financial disclosure guide

Obligations and Recommendations

Conseil Déontologique des Valeurs Mobilières
L'autorité qui veille sur votre épargne



Financial disclosure guide

Obligations and Recommendations

This guide is an update of the edition published in February 2010 made necessary following the entry into force of the CDVM circular codified in April 2012.

The electronic version of this guide is available on the CDVM website: www.cdvm.gov.ma

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INTRODUCTION

Market information is one of the first obligations that any company making a public offering has to meet. The laws and regulations specify the nature and the obligations related to its disclosure. These laws govern the information in terms of its origin and logic, namely the timely and permanent disclosure (periodic disclosure and important disclosure).

In addition, issuers must opt for a proactive disclosure that goes beyond the mere compliance with legal obligations in terms of information; it must take account of the economic and strategic dimensions of the company as whole, obviously, within the limits allowed by the conditions of competition and the business confidentiality respect.

For years, the CDVM continues to upgrade its system in terms of information required of issuers to take into account the requirements of our market and international practices. Indeed, in April 2012, the CDVM revisited its device on the information required of issuers under the codification of its circulars into one coherent document, structured and presented by business segment in a didactic way.

The consolidation of the CDVM circulars was also an opportunity to perform an update aimed at simplifying and clarifying the rules and taking into account advances in terms of best practices.

The idea to develop this guide aroused from the need to answer primarily recurring questions of the issuers' managers, their advisers and the communication officers, thereby providing them with a repository of educational rules and practices in financial disclosure.

The first part of this guide is dedicated to the timely disclosure required of issuers of financial operations and the second part reviews the permanent disclosure obligations, the concepts of ethics and corporate governance.

GENERAL PRINCIPLES

1. Regulated Information

Information obligations incumbent to issuers are governed by laws and regulations. These obligations are in terms of :

- **Timely disclosure:** provided by the issuer in connection with financial transactions;
- **Periodic Disclosure:** it concerns primarily the publication of annually or semi annually financial statements, that is rather of a recurring nature;
- Permanent or important disclosure deals with important events marking the position of the issuer that could have a significant impact on the prices of securities on stock exchanges or the assets of the security holders.

These disclosure obligations are provided throughout the life of the securities issued.

2. Information General features

The information disclosed to the public must be:

- **Exact:** error-free;
- **Complete and accurate:** completeness and accuracy allow the market to have all the necessary elements to assess the scope of information. A simple omission can be misleading;
- **Sincere:** sincerity refers both to accuracy (for quantifiable data) and plausibility (for non-quantifiable data or forecast). Information must represent faithfully what it covers. Moreover, it must reflect the economic substance of events (not only their legal, accounting or other form); Sincerity implies that events favorable and unfavorable to the issuer are made known to the public, in the same way;
- **Relevant:** the information must directly address the needs of investors in their decision making. It should help them assess the risks and returns expected from their investment;
- **In comparable time:** In case of encrypted information, the historical record or comparability is an essential element to understand its scope;
- **Equally Accessible:** in the interests of equal treatment, the information provided must be accessible to all investors at the same time, to avoid creating an information asymmetry that would favor some investors over others.



Art.12-4 of Dahir(royal decree) establishing Law N° 1-93-212as amended and supplemented

3. CDVM role in terms of information Control

The CDVM ensures the quality of information provided by companies at the time of the initial public offering and throughout the life of the securities they have issued.

The legal and regulatory framework in force grants to the CDVM all the necessary powers to carry out its supervisory mission, information control and intervention in case of non-compliance with the relevant laws and regulations.

The texts have thus provided a particularly strict supervision of the content, deadlines, mode of organization and control of such information, in the legitimate aim of protecting savings invested in securities.

4. Towards a better financial disclosure

It is important that the information disclosed by issuers is not limited only to regulated information. It should be enriched and accompanied by a broader, proactive, structured and regular financial disclosure. To this end, the CDVM recommends issuers to:

- **Assign a communication officer:** close to centers of decision, spokesperson and a permanent contact point with the financial market and third parties. The communication officer must be able to advise the management on how to establish a financial disclosure strategy and raise the transparency process in the collective spirit of the company;
- **Communicate faster and more often to reduce uncertainty:** the global trend is towards shorter deadlines for financial disclosure (publications of quarterly indicators, update of the information provided ...) and especially increasing communication opportunities (press conferences, organizing meetings with financial analysts...);
- **Communicate more broadly:** Some topics should take increasingly part of the financial disclosure. The current trend is that the company is no longer based solely in its disclosure on purely accounting and finance operations but it includes in its speech its strategy, its strengths, its risks, significant matters that are not necessarily mentioned in the financial statements but also issues related to moral and ethical values and corporate governance.

At equal financial performance, financial disclosure can be a differentiator; a competitive advantage that can lead to a higher value of the company.

Timely disclosure

Timely disclosure is provided by the issuer prior to the completion of a financial transaction.

We distinguish financial transactions that fall within the framework of a public offering of other financial transactions such as bids, buybacks and mergers.

Public Offering

What is a public offering?

"The public offering consists of:

- The admission of a security to the Stock Exchange or on any other regulated market in Morocco;
- The issue or sale of securities in the public using, directly or indirectly, canvassing or advertising, or through brokerage firms, banks or other institutions whose purpose is placement, management or financial advisory, and a list of which is fixed by order of the Minister of Finance on the proposal of the CDVM."



Art.12 of Dahir (royal decree) establishing Law N°1-93-212 as amended and supplemented

What is a transferable security?

Transferable Securities are:

- Shares and other securities or rights that give or may give access, directly or indirectly, to the capital and voting rights, transferable by book entry or delivery;
- Debt securities representing a general claim on the assets of the corporation issuing them, transferable either by book entry or delivery, excluding commercial paper and certificates of deposit.

Which securities are subject to public offerings?

- The equity securities which include shares, preferred shares without voting rights and investment certificates;
- Debt securities including bonds and single bonds convertible into shares;
- Debt securities which are certificates of deposit, bills finance companies and commercial paper.

What are the criteria for listing securities?

Only joint stock companies are eligible for listing, specifically joint stock companies and partnerships limited by shares, by listing equity securities on the Casablanca Stock Exchange.

Criteria	1 st tier	2 nd tier	3 rd tier
	Principal Market	Development Market	Growth Market
Capital	Fully paid	Fully paid	Fully paid
Amount issued	75 millions of DHS	25 millions of DHS	10 millions of DHS
Number of securities to issue	250 000	100 000	30 000
Number of certified financial years	3	2	1
Net equities	50 millions of DHS	-	-
Accounts	Consolidated	-	-
Turnover		50 millions of DHS	-
Assistance or market making contrat with a brokerage firm	-	1 year	3 years
Commitment of shareholders to keep the majority	-	-	3 years

What are the criteria for a bond issue?

Minimum amount issued	20 millions of DHS
Minimum maturity of the debenture loan	2 years
Number of certified financial years	2 financial years
Minimum nominal value	10 Dhs for listed bonds
	50 Dhs for non listed bonds

When issuing a bond, the CDVM recommends that any issuer submit a rating issued by an international agency recognized by the CDVM. In case such rating is made, and the issuer agrees to provide the update for at least three years, the issuer benefits from the application of a reduced commission rate.

What are the requirements for the issuance of negotiable debt securities?

Negotiable debt securities governed by Law No. 35-94 are the commercial papers, Certificates of Deposit and Finance Companies bonds. The issuance requirements are:

Nature of the security	Issuer quality	Number of years in existence	Number of certified financial years	Minimum Amount	duration
Certificates of Deposit	Banks	3 years of effective existence	3	100 000 Dirhams	10 days at least and 7 years at most
Finance Companies bonds ¹	Finance companies				2 years at least et 7 years at most
Commercial papers ²	Corporations other than banks and finance companies				10 days at least and 1 year at most
	non-financial Public institutions				
	Collective investment schemes in securitization ³				
	Cooperatives ⁴				

1-The maximum prudential ratio to be observed between the outstanding bonds issued by finance companies and the outstanding of their usage as a customer credit is 50%.

2-For commercial papers, capital must be fully paid in case of corporations other than banks and finance companies, as well as for cooperatives; consisting of capital grants for non-financial public institutions. In addition, equity (capital, reserves, retained earnings) must be greater than or equal to 5 million Dirhams.

3 -Governed by Law No. 33-06 on securitization of receivables and Law No. 24-01 on the Repo.

4- Only cooperatives subject to the provisions of Law No. 24-83 establishing the Articles of Association of cooperatives.

What is the procedure for issuing a public offering?

“ (...) any person issuing a public offering is required to prepare an information document ...”



Art.13 of Dahir(royal decree) establishing Law 1-93-212 as amended and supplemented (Extract)

« ... Prior to its publication and dissemination, this information document must be approved by the CDVM ...»



Art.14 of Dahir (royal decree) establishing Law 1-93-212 as amended and supplemented (Extract)

How to submit a visa application to the CDVM?

A visa application should be submitted by the legal representative of the company wishing to issue public offerings, to the attention of the CDVM Director General.

This application, indicating the main motivations of the proposed transaction, must be presented at the deposit meeting held by the CDVM, the issuer, its advisors and auditors at the time of submitting the information dossier.

At the meeting of the application deposit, the CDVM examines the admissibility of the dossier in the presence of the issuer and its advisers and decides on the admissibility or non admissibility of the information package at the end of the meeting. Examination of admissibility aims to ensure that the documents and information submitted by the issuer or its financial advisor to the CDVM, meet the requirements of the latter. The admissibility decision is confirmed by mail within one business day following the day of the meeting.

In case the dossier is incomplete, it is submitted back to the issuer or its financial advisor at the end of the meeting. The issuer or its financial advisor is informed of the missing documents and remaining to be provided to the CDVM to make the case admissible.

NB: The submission of applications under the simplified procedure and filing of dossiers relating to issues of negotiable debt securities are not subject to a meeting.

What is the procedure followed for granting the CDVM visa?

Submitting the information document must be done at least two months before the proposed visa date as part of the standard model of the prospectus and at least one month before the proposed visa date as part of the simplified model of the prospectus.

NB: *the submission of applications for issues of debt securities may be subject to the CDVM visa, regarding commercial paper, or validation, in case of deposit certificates and finance companies bonds, 45 days before the date scheduled for the first issue.*

What are the regulatory examination deadlines for obtaining the CDVM information document visa?

Starting from the date of the admissibility of the information dossier, the CDVM has a deadline of two months to grant the visa.

This deadline is suspended by requests for information, due diligence or additional documents requested by the CDVM. It begins to run from the date the CDVM receives answers to its requests.

When the issuer or its financial advisor chooses the two-step procedure, the CDVM has 55 days to give its preliminary visa, then five days for the final visa. Note that the procedure for orders collection, in the case of a two-step procedure, can begin only when the issuer has obtained a final visa.

However, the CDVM commits to process within deadlines shorter than 40 days in case of complete information dossiers, taking into account the nature of the proposed transaction and the securities issued and the issuer frequency of having recourse to funds on the market.

Is it necessary to call for a financial advisor to develop an information document?

The CDVM strongly recommends having recourse to a specialized financial advisor to perform the necessary due diligence in accordance with the best industry practices. It is recommended in the choice of financial advisor that special attention be paid to the professionalism of the person detained and the existence of potential conflicts of interest.

The advisory body may be a bank, a brokerage firm, a law firm or other financial institution specialized in investment securities advice.

What are the diligences carried out by the CDVM?

The due diligence carried out by the CDVM for granting its visa or its validation consists of a review of the compliance, the relevance and consistency of information given in the context of the proposed transaction and does not imply neither the authentication of the information presented nor a judgment on the opportunity it represents.

In which language the information document must be drafted?

The information document must be written in Arabic or French, in a neutral style, without reducing the unfavorable aspect of the information or accentuating the favorable aspect. The information document drafted in French must be summarized in Arabic and English. Similarly, the information document drafted in Arabic should be summarized in French and English.

What is the forward-looking information to give as part of a public offering operation?

The information document should assess the past, present and also future prospects of the issuer who wishes to issue a public offering.

Forward-looking information is integral to give information by the issuer to investors but the nature and accuracy of information depends on the nature of the operation.

IPO:

The issuer must provide quantitative estimates for the current year and for the next three years including major items of income and expenditure account, balance sheet and cash flow statement;

Issuance or transfer of shares:

Quantitative estimates are provided for the current year and for the following year;

Issuing debt securities giving or may be giving access to capital:

The issuer must provide quantitative estimates for the current year and for next year including major items of income and expenditure account, balance sheet and statement of cash or cash flow, in order to demonstrate the ability of the issuer to meet its repayment obligations;

Issue of ordinary bonds or negotiable debt securities:

The information document must include a narrative description of the general trends of the issuer, its sector and the performance of targets set by the management.

What is the duration of the CDVM visa validity?

The deadline between the granting of the prospectus visa and the opening of the subscription period or acquisition of securities subject to the proposed transaction may not exceed two months, unless in case of a special exemption granted by the CDVM.

When should we proceed to develop an update of the Information document?

The information document must be updated when significant events occur between the visa date and that of the closing of the proposed transaction.

The update will then be subject to a CDVM visa and be attached to the original prospectus and disseminated under the same conditions as the latter.

Can an issuer headquartered abroad issue a public offering on the Moroccan market?

Under Article 12 of Dahir(royal decree) establishing Law 1-93-212 related to the CDVM and the information required of corporations issuing public offerings, as amended and supplemented, legal persons not having their registered office in Morocco and individuals not resident in Morocco cannot issue a public offering only after a prior agreement of the Minister of Finance.

In which case, an issuer making public offering is exempt from the requirement to prepare a prospectus?

- The issue or sale of securities issued or guaranteed by the government;
- The capital increase by incorporation of reserves, profits or share premium;
- The issue or sale of securities, without advertising, reserved exclusively for officers of the issuer or its subsidiaries within the meaning of Article 143 of Law No. 17-95, as amended and supplemented by Law 20-05 on public limited companies;
- The issue, without advertising or canvassing, of the securities of a corporation making a public offering for eighteen months at least, to persons other than qualified investors whose number does not exceed 100.

What is the procedure to be followed by an issuer who relies on the exemption to file a prospectus?

When it comes to government-backed securities, the issuer must send a letter to the CDVM specifying the main features of the issuance and the document attesting the guarantee granted by the government prior to the opening of the subscription period.

In general, the exemption is only effective if the CDVM agrees or does not object within fifteen working days to the receipt of the documents and information relating to the proposed transaction.

Which financial transactions are falling outside the scope of public offerings?

Shall not be treated as an operation of a public offering, issuance or transfer of securities with only a limited number of qualified investors, subject to compliance with the provisions of Article 12-3 of Dahir (royal decree) establishing Law N° 1-93-212.

Issuers wishing to conduct a financial transaction not forming part of a public offering should observe the following conditions:

- The number of investors must be less than ten (10);
- Investors should act on their own account;
- The operation must be performed without advertising or canvassing; the securities in question must not be sold during a period of 24 months from their acquisition, otherwise they shall be void of right of disposal. However, the qualified investor may sell such securities to its subsidiaries, its parent company or another subsidiary of the parent company of such an investor, or to other qualified investors before the expiry of 24 month period. The transferor must inform the CDVM in the manner it determines.

What is the procedure to be followed by issuers wishing to perform an operation outside the scope of a public offering?

The person claiming the benefit of the exemption not to file the information document informs the CDVM of the nature and terms of the transaction before its launch, in the manner prescribed by the CDVM.

The benefit of application of the exemption is effective only if the CDVM does not object within ten working days to the receipt of documents and information under the aforementioned terms.

BIDS

What is a bid?

A bid is the procedure whereby a person or entity, called offeror, makes known publicly that it intends to acquire, exchange or sell all or part of securities giving access to capital or voting rights of a company whose securities are listed on the stock exchange.

What is the objective of bids?

Bids aim to ensure market transparency by allowing the respect of principles of equality of shareholders, market integrity and fairness in transactions and competition.

What are the different types of bids?

There are five types of bids:

takeover bid: takeover bid is the procedure that allows a person or entity to make public its proposed acquisition, against cash compensation, of securities giving access to capital or voting rights of a company whose securities are listed on the stock exchange;

Public exchange offer: Public exchange offer is the procedure whereby a person or entity states publicly that it intends to acquire, by exchange of securities, the securities giving access to capital or voting rights of a company whose securities are listed on the stock exchange;

Mixed Public Offering: The Mixed Public Offering is the procedure whereby a person or entity states publicly that it intends to acquire, in part through a share exchange and in part by payment in cash, securities giving access to capital or voting rights of a company whose securities are listed on the stock exchange;

Public Buyout Offer: The Public Buyout Offer is the procedure that allows natural or legal persons holding a majority of voting rights of a company whose securities are listed on the stock exchange, to state publicly that they offer to repurchase securities giving access to capital or voting rights of the target company, to allow natural persons or legal entities holding securities of the company and not belonging to the majority group to withdraw from the aforementioned share capital of the said company;

Public Offering of sale: The Public Offering of sale is the procedure whereby a person or entity makes public that it intends to sell the securities giving access to capital or voting rights of a company whose securities are listed on the stock exchange.

What is acting in concert?

We mean by persons acting in concert, the natural or legal persons who cooperate on the basis of an agreement, either explicitly or implicitly, orally or in written to:

- Either purchase or sell voting rights of a company or;
- Exercise voting rights to implement a common policy vis-à-vis the company or;
- Sell in or hinder a bid.

Who are the main actors of a bid?

The main actors of a bid are:

- **The Offeror:** the person who is making a bid on a public company;
- **The target company:** is the listed company whose securities are subject of the bid;
- **The CDVM:** is the authority that supervises the proper functioning of public offers and information provided to shareholders. The CDVM shall, in particular, ensure the respect of minority shareholders.

What is the difference between a voluntary and a mandatory bid?

A mandatory bid is deemed mandatory when its launch is required by laws and regulations. This is the case when the offeror and persons acting in concert with it hold a certain percentage of the voting rights of a listed company or when the offeror decides to delist the target company from the stock exchange.

A bid is deemed voluntary when it emanates only and solely from the will of the offeror and persons acting in concert with him.

What is the difference between the period of a bid and its duration?

The period of a bid stands for the duration that elapses between the publication of the deposit notice of the offer and the publication of the notice regarding the outcome of the offer.

The offer duration is the period that elapses between the date starting from which brokerage firms may present securities in response to a bid and the deadline for the submission of such securities in response to the said offer.

When should the bid project be submitted to the CDVM?

In case of a mandatory bid, the offeror and persons acting in concert with him shall, within three working days after the crossing of the percentage of voting rights, file with the CDVM a bid project.

Is it possible to grant an exemption from the requirement of filing a mandatory takeover bid project? under what conditions?

The CDVM may at the request of the offeror grant an exemption to the filing of a proposed mandatory takeover bid when crossing 40% of the voting rights of the

target company does not compromise the control of the latter existing prior to the said crossing, particularly in case of:

- Reduction of the target company capital;
- Transfer of securities property between companies belonging to the same group of companies.⁵

The exemption application must be filed with the CDVM within three business days following the threshold crossing mentioned above. It should include commitments of that person vis-à-vis the CDVM to take no action to acquire, directly or indirectly, acting alone or in concert, control of the company during a specified period, and, where appropriate, to implement a rehabilitation project of the target company when it is in financial difficulty.

The CDVM examines the requested exemption, it shall publish its decision in a newspaper authorized to publish legal ads in case it is granted and states the grounds for this exemption.

What are the trigger factors of a mandatory bid?

⇒ **Threshold crossing :**

Takeover bid / Public exchange offer: Any person or entity holding, alone or in concert, directly or indirectly, 40% of the voting rights of the target company is required within 3 working days after crossing the threshold to file with the CDVM a takeover bid, a public exchange or mixed offer project(Art 18 Law No. 26-03).

Public buyout offer: Any person or entity holding, alone or in concert, directly or indirectly, at least 95% of the voting rights of the target company is required within 3 working days after crossing the threshold to file with the CDVM a public buyout offer project(Art 20 Law 26-03).

⇒ **Others :**

Public buyout offer initiated by a minority shareholder: The CDVM may impose filing a buyout offer project to any person or entity holding, alone or in concert, directly or indirectly, more than 65% of the voting rights of the target company at the request of a minority shareholder (Art 21 Law 26-03).



Law 26-03 related to public bids on the stock exchange market as amended and supplemented by Law 46-06

⁵ Within the meaning of Article 144 of Law 17-95 on public limited companies as amended and supplemented by Law 20-05

What are the main steps for issuing a bid?

1. Filing the bid project / Price Suspension / Start of the bid Period:

- J + 3: Deadline for filing of a takeover bid, public exchange or mixed offer project and publication of a filing notice of the proposed bid in a newspaper authorized to publish legal ads by the CDVM. The CDVM requests the stock exchange market to suspend trading in securities of the offeree company and publish a notice of suspension in accordance with the requirements of its General Regulations (Article 30).

- Public buyout offer at the initiative of a minority shareholder: In this case, if the CDVM declares admissible the request submitted to it, it shall notify the person or persons or entities that are majority shareholders required to file within a specified period set by the CDVM, a public buyout offer project. If the application is inadmissible, the CDVM notifies the minority group;
- For voluntary takeover bids and public offering of sale without crossing a threshold, the filing of a takeover bid or public offering of sale is made in the general conditions.

2. Notification to the administration of the terms of the bid:

The CDVM sends to the administration the main features of the proposed public offering, which has 2 working days starting from the said submission to decide the non-admissibility of the project. In this case, the administration shall inform the CDVM. Otherwise, the bid is considered responsive.

3. Decision on the admissibility of the tender/ resumption of trading (J + 13)

The CDVM has 10 working days from the publication of the filing notice of the proposed bid in a newspaper authorized to publish legal ads, to consider the admissibility of the proposed bid. This period may be suspended for any request for additional information or justification. At the end of this period, the CDVM issues a notice of admissibility.

In case of non admissibility decided by the Administration or the CDVM, the latter notifies the offeror of this decision.

When an offer is declared admissible, the CDVM notifies the offeror and makes public in a newspaper, authorized to publish legal ads, a notice of admissibility. The CDVM requests the Casablanca stock exchange to resume trading on the offeree company securities.

4. CDVM Visa (J + 28 + 10 minimum, if applicable)

The CDVM has a maximum of 25 working days to grant its visa to the information document(s), current as of the date of filing. This period may be extended by 10 working days, if requests for clarification or additional justification are made.

5. Publication of information referred to in a newspaper authorized to publish legal ads (J + 33)

Publication of information in a newspaper authorized to publish legal ads within a

maximum period of 5 working days after obtaining the visa by the offeror and, where appropriate, by the target company in hostile bid (Article 38).

6. Opening of the offer

The opening of the offer comes after the release of information. This is the beginning of the offer period.

7. Closing of the offer: End of the Offer Period

8. Publication of notice of result / end of the Offer Period:

The Casablanca Stock Exchange centralizes buy and sell orders, and submits the results to the CDVM. The latter shall publish a result notice in a newspaper authorized to publish legal ads.

What information to be contained in the bid project?

The proposed public bid filed with the CDVM shall include the following information and proposals:

- The aims and intentions of the offeror;
- The number and type of securities it holds already approved and the date and circumstances of its acquisition;
- The price or exchange ratio selected as part of the offer and the terms and conditions attaching to settlement, delivery or exchange provided;
- The number of shares to which they apply;
- Where applicable, the percentage of voting rights below which the Offeror abandoned the offer;
- The information document;
- The prior authorization(s) of authorities or bodies authorized to approve the proposed transaction (for credit institutions, an insurance, reinsurance and capitalization company). Required authorization(s) if the offer may violate freedom of price and competition. Without these authorizations, the offer is inadmissible;
- For the public buyout offer, the evaluation report of an independent assessor designated by the Offeror and approved by the CDVM.

What are the rules to be observed by the offerors and the target company in a takeover bid?

During the period of a **mixed public offering**, the offeror and persons with whom he is acting in concert can not intervene neither in the securities market of the offeree company or the market of securities issued by the company whose securities are offered in exchange.

During the period of a **takeover bid** until the publication of its results, the offeror and persons with whom he is acting in concert buy from the market securities of the target company at a

price higher than the price of the offer, this causes the automatic increase in the price of the takeover bid price to the level of price intervention.

During the period of the public bid, the offeree and the offeror must exercise particular vigilance in their statements about the offer. They must strictly limit the information they disseminate to the public to the terms and elements contained in the information document(s). In addition, any information relating to the offer within its duration, issued by the target Company or offeror, must be forwarded to the CDVM before its publication or dissemination.

During the period of the public bid, the Offeree Company and persons acting in concert with it cannot intervene, directly or indirectly, on the securities of the offeree. However, when the bid is fully paid in cash, the target company may, however, continue execution of a share purchase program when the resolution of the General Meeting has expressly provided so.

During the period of the public bid, the offeree and the offeror, the persons or entities directly or indirectly holding at least 5% of the capital or voting rights in the offeree company must report to the CDVM after each session stock purchase and sales transactions they have carried on the securities involved in the bid.

During the period of the bid, the offeree company cannot increase its treasury holdings.⁶

During the period of the bid, the competent bodies of the offeree company must give prior notice to the CDVM of any draft decision under their jurisdiction, which would prevent the realization of the public offer or a competing offer.

What is the role of the independent assessor and in what conditions he intervenes?

The independent assessor intervenes in case of a public buyout offer, being mandatory or voluntary. His mission is to ensure that the price or exchange ratio was established according to relevant assessment methods and usually retained. He ensures that the criteria used in such methods are known, accurate, objective, significant and multiple and that they lead to a fair and legitimate estimation of the target company.

The independent assessor is appointed by the offeror with a prior approval of the CDVM.

⁶-Within the meaning of Article 144 of Law 17-95 related to public limited companies as amended and supplemented by Law 20-05

BUYBACK PROGRAMS

What is a buyback program?

It is an operation whereby a listed company redeems its own shares from the market, in compliance with the legislation in force.

What are the purposes of a buyback program?

A buyback program has exclusively for purposes:

- Either to regulate the share price on the stock market or;
- Reduce the share capital by cancellation of redeemed shares.

When to file with the CDVM an information notice draft?

The information notice draft, fully completed and accompanied by all documents constituting the information document is filed by the company with the CDVM within a minimum deadline of 45 days prior to the General Meeting held to decide on the buyback program.



Art.III.2.4 Book III The CDVM Circular

What should the information notice draft submitted to the CDVM visa contain?

The notice must include the necessary information enabling shareholders to decide on the operation that will be proposed at the Ordinary General Meeting.

On what fraction of capital could a buyback program be carried?

The fraction of capital involved in a buyback program may not exceed 10% of the shares constituting the capital, net of indirect treasury shares.

The amount corresponding to capital fraction subject of the buyback program can in no event exceed the amount of reserves of the company excluding statutory reserves.

What are the rules for the publication and dissemination of the information notice?

An extract of the information notice, approved by the CDVM, is published at the initiative of the company within a maximum of two working days from the date of approval at least in one newspaper authorized to publish legal ads.

The published extract must reflect the content of the document approved by the CDVM. In case the extract published contains omissions or errors, these must be subject to an erratum published in the same paper used for the publication of the said extract. The publication of the erratum should occur no later than two (2) working days after the publication of the information notice extract.

What is the legal form of the redeemed shares?

Shares redeemed by the company are required to be in a registered form.

Are the redeemed shares entitled to dividends distribution?

The redeemed shares are not entitled to any dividend distribution.

What to do with the treasury shares stock, at the expiration of the buyback program?

Treasury shares owned at the end of the buyback program must be disposed of within one year after their purchase or acquisition; at the expiration of that deadline, they should be cancelled.

Can the company carry directly its buyback program?

The company must have recourse to a brokerage firm to execute its buyback program. The company must allow the brokerage firm that executes its buyback program to act independently in the program management and the execution of the related transactions.

It should not give instructions such as to guide interventions of the brokerage firm and issue sale or purchase orders as part of its buyback program.

The brokerage firm commits to execute the share buyback program independently. It assesses freely the timing and amounts of market intervention, within the limits and rules set out in this circular. And it should organize itself accordingly for this purpose.

Merger Operations

What are the merger operations subject to the CDVM visa?

When one or more companies involved in the merger operation issue a public offering, the merger must be subject to the CDVM visa.

What is the procedure to be followed during a Merger?

Before a merger, the companies involved in the merger will establish a merger project to be decided by the Management or Directorate board of each company participating in the proposed transaction, and shall convene the Extraordinary General Meeting called to approve the merger, by a notice disclosed in a newspaper authorized to publish legal ads, on the legislative and regulatory following deadlines:

⇒ **45 days (at least) before the date of the Extraordinary General Meeting:**

The Directors or the Management Board of each company participating in the merger notify the statutory auditor(s) of the proposed merger.

⇒ **30 days (at least) before the date of the Extraordinary General Meeting called to approve the merger:**

- The Directors or the Management Board of each company participating in the merger must make available to shareholders of the merger, the reports of the statutory auditors relating to the proposed merger, the financial statements and approved management reports for the last three years of the companies involved in the transaction;
- Send the merger project to the CDVM according to the modalities it fixed;
- The project should also be filed with the court registrar of the headquarters of the said companies and subject to a notice in a newspaper authorized to publish legal ads, by each company participating in the operation, and in case one at least of these companies issues a public offering, it should be inserted in the "Official Bulletin".

Note that any shareholder may obtain, upon request and without charge, total or partial copy of the documents mentioned above, from each of the companies involved in the merger.

What is the role of the statutory auditor during a merger?

During a merger operation, the statutory auditors are required to prepare a report on the merger.

The auditors' report on the merger indicates the method or methods that were used to reach the proposed exchange ratio, if they are adequate, and the assessment difficulties encountered, if any.

The audits conducted by the statutory auditors at the proposed merger by the companies participating in the operation, is essentially aimed to verify that the relative value attributed to the shares of companies involved in the transaction is relevant and that the exchange ratio, after the assessment is fair.

During their audit, the statutory auditors shall in particular verify that the amount of the net assets contributed by the acquired companies is at least equal to the amount of the capital increase of the acquiring company or the principal amount of the new company resulting of the merger.

To accomplish their mission, the statutory auditors may obtain from each company all the necessary documents and make all the necessary verifications.

Periodic Disclosure

Periodic information consists of several mandatory and optional components, the nature and the release schedule of which is as follows:

Document / Event type	nature	The concerned parties	Schedule
Annual financial statements	Mandatory	Issuers subject to the provisions of the Law on public limited companies	At least 30 calendar days prior to the OGM
Consolidated annual financial statements	Mandatory	Issuers whose securities are listed in the first tier or who issue debt securities	At least 30 calendar days prior to the OGM
Press release post Ordinary General Meeting	Mandatory	When the statements have been modified by the Ordinary general meeting	20 days after the holding of the OGM
semi-annual statements	Mandatory	Any issuer making public offerings	Within 3 months of the end of each semester
Consolidated semi-annual statements	Mandatory	Issuers whose securities are listed in the first tier or who issue debt securities	Within 3 months of the end of each semester
Annual financial statements	Mandatory	Issuers not subject to the provisions of the Law on public limited companies	Within 3 months after the closing of the year
Semi-annual indicators	RECOMMENDATION	Any issuer making public offerings	45 days after the end of the quarter.
Achievements comment	RECOMMENDATION	Any issuer making public offerings	After the meeting of the management board or executive committee
Analysts meeting	RECOMMENDATION	Any issuer making public offerings	After the publication of statements or Press release

What is the official publication media admitted in Morocco?

The publication medium is the newspapers authorized to publish **legal ads**, the list of which is be fixed by order of the Minister of Finance.

Moreover, the CDVM urges issuers to post online their financial publications after their disclosure in a newspaper authorized to publish legal ads.



Order of the Minister of Finance and Investment No. 2893-94 of October 24th, 1994

What are the CDVM recommendations to the issuers in regard to the website?

The CDVM recommends that issuers should have a website, easily accessible and regularly updated. This wide disclosure medium must fulfill the expectations of investors in terms of information and must contain at least the following items:

- Financial Publications;
- Press releases;
- Annual reports, if any;
- Presentation of results;
- Financial Schedule;
- Data relating to General Meetings.

Annual Information

The annual financial statements accompanied by a summary of the statutory auditors' report must be published **30 calendar days** at least before holding the Ordinary General Meeting, allowing thus the shareholders to be informed on the financial situation of the company before taking any decision the day of the General Meeting.



*Art.16 of Dahir (royal decree) establishing Law N°1-93-212 as amended and supplemented
Art. III.2.5 The CDVM circular*

What is the content of the annual publication?

The annual Information includes several financial statements which vary depending on the activity of the issuer and the content of which is determined by the CDVM. Issuers subject to the law on public limited companies are required to disclose in a newspaper authorized to publish legal ads the following statements:

Annual statements
<i>For companies other than Credit institutions</i>
-Balance sheet, Income statement accounts, balance and management statement, cash flow statement and the additional disclosures -Summary Report of the statutory Auditors
<i>For credit institutions</i>
Balance sheet, off-balance sheet, Income statement accounts, balance and management statement, Table of Cash Flows , and the additional disclosures Summary Report of the statutory Auditors
<i>For insurance and reinsurance companies</i>
Balance sheet, Income statement accounts, (life, non life et non technical), balance and management statement, financing table and the additional disclosures Summary of the statutory auditors' Report
Consolidated annual statement
<i>Consolidated statements according to Moroccan standards</i>
Balance sheet, Income statement accounts, Table of Cash Flows, and the additional disclosures (whose statement of changes in shareholders' funds), Scope and method of consolidation, and significant information and explanations of balance sheet and Income statement accounts items. Summary of the statutory Auditors' report
<i>Consolidated Financial statements in Accordance with IFRS standards</i>
Balance sheet, Income statement accounts, Table of Cash Flows, statement of changes in shareholders' funds, Scope and method of consolidation, Explanatory notes and appendices ² Summary of the statutory Auditors' report

¹ The additional disclosures must include any significant information that enables users of financial statements to make an assessment of the assets, financial condition and result of the meeting held by the companies included in consolidation. The information shall cover at least the past year and the previous one.

² The explanatory notes and appendices should contain any significant information enabling users of financial statements to make an assessment of the assets, financial condition and results of the group consisting of entities included in the consolidation. The information shall cover at least the past year and the preceding one.



Art. III.2.5 The CDVM circular
Appendices III.2.C, III.2.D, III.2.E

What information does the additional disclosure document contain?

The CDVM has set a number of statements to be published by issuers according to the sector of activity to which they belong.

Companies other than credit institutions and insurance and reinsurance companies	Credit institutions	insurance and reinsurance companies
<ul style="list-style-type: none"> -Exemptions statement(A2) -Method changing statement (A3), -Tangible and intangible assets schedule (B2) -Equity securities statement(B4) - Provisions statement(B5) -Insolvency statement(B6) -Debts statement(B7), -Given or received securities documents statement(B8) -Funding commitments received or given out leasing operations (B9) -Where appropriate, a statement on contingent liabilities -Where appropriate, a pro forma information statement 	<ul style="list-style-type: none"> Exemptions statement(A2) -Method changing statement (A3), - Amounts due from customers (B2) -Equity securities and similar assets (B6) -Fixed assets given in leasing with an option to buy and in simple rent (B8) for facility leasing institution; -Amounts owed to credit institutions and assimilated (B10) -Provisions statement(B14) -Stocks and securities given and received as collateral (B21) -Breakdown of Jobs and Resources according to the residual period ... -Where appropriate, a statement on contingent liabilities -Where appropriate, a pro forma information statement 	<ul style="list-style-type: none"> -Exemptions statement(A2)- -Method changing statement (A3), - Equity securities statement (B4) - Investments statements (B4-a) -Provisions statements(B5) -Insolvency statement(B6) -Debts statement(B7), -Where appropriate, a statement on contingent liabilities -Where appropriate, a pro forma information statement

Source: CDVM

Who are the issuers subject to the requirement of publishing consolidated financial statements?

- Those whose shares are listed on the first tier of the stock exchange
- Those who issue debt securities and which have subsidiaries as defined in Article 143 of Law No. 17-95 on limited companies

What are the admitted consolidation standards in Morocco?

When preparing the consolidated financial statements, issuers have the choice to opt for Moroccan standards according to the methodology of the National Accounting Board (Notice No. 5) or of the IFRS.

- If an issuer chooses to develop and publish its consolidated financial statements under IFRS, the choice is irreversible.
- For a foreign issuer, subject to foreign regulation, standards for the consolidation must be clear and explicit compared to Moroccan standards or to the IFRS.

Can the consolidated financial statements replace the annual financial statements?

No: For issuers subject to the law on public limited companies, the publication of consolidated financial statements cannot replace the publication of annual financial statements, because there is a legal risk in terms of the requirements under the public limited companies Law.

Yes: For issuers not subject to the Public limited companies Law, the publication of consolidated financial statements can replace those relating to the annual financial statements, subject to a prior approval by the CDVM.

Is the publication of the press release mandatory post the Ordinary General Meeting?

The press release post the OGM is required from issuers whose summary statements or draft resolutions previously published have been changed by the OGM.

Semi annual information

Legal persons issuing public offering must publish **in a newspaper authorized to publish legal ads**, no later than **three months** after each half of the year, their semi-annual financial / consolidated statements in a standard format set by the CDVM according to the activity of the legal person.

These documents must be accompanied by a certificate of statutory auditors certifying their sincerity.



Art.17 of Dahir (royal decree) establishing Law N°1-93-212 as amended and supplemented
Art. III.2.16 The CDVM circular

What is the content of the semi-annual publication?

The semi-annual financial/consolidated statements must contain the following:

- **The income and expenses statements** adopted after the last six months and compared with the corresponding period of the previous year;
- **The interim status of the balance sheet** adopted at the end of the last six months taking into account depreciation and amortization charges and provisions of the concerned six months;
- **The off-balance sheet** and statement of **nonperforming loans** and related allowances as at the end of the last six months (only for credit institutions);
- A selection of **appendices notes** including the most significant pro forma information;
- In case of consolidation, the published statements must also contain **the scope of consolidation**.



Art. III.2.17 The CDVM circular
Appendices III.2.I

What is the content of the most significant appendices of the semi-annual statement?

Each issuer according to its specificities and its environment can adapt the content of this information, which should trace the important developments during the relevant period and which contains:

- Comments on the cyclical or seasonality of the activities;
- The nature and amount of unusual items affecting assets, liabilities, equity, net income or cash flows;

- Issuances, repurchases and repayments of debt and equity;
- The changes in contingent commitments given and received since the closing date of the last fiscal year.

Can the annual publication be substituted by the publication of the second half of the year?

When, within the same deadline of 3 months following the end of the semester, the corporation publishes its annual statements, the semiannual publication is no longer necessary.

Can the semiannual consolidated financial statements replace the semiannual financial statements?

The semiannual consolidated financial statements can replace the semiannual statements if they do not provide significant additional information.

When does an issuer become subject to the requirement of publishing the pro forma statements?

The publication of the pro forma statements is mandatory in case of significant change in the pattern of an issuer or its scope (including major acquisition or disposal of an activity). The pro forma statements are established to ensure the comparability of the statements records in order to reflect the effect of the realization, at a date prior to its effective implementation, operation, or a given event on historical financial information.

The pro forma information is provided for the latest period covered by the published financial statements as if the scope change had occurred at the opening of the period.

The pro forma information is presented when the transaction occurs in the current financial year. The latter corresponds to the last financial year or the last period of the closure of the financial statements.

 Art. III.2.3 the CDVM circular Appendices III.2.A

What are the methods of reporting pro forma information?

The pro forma information is normally presented in columns, indicating:

- a) The historical unadjusted information,

- b) The pro forma adjustments, and
- c) The pro forma financial information resulting from these adjustments.

The pro forma information includes, in addition to sales and profit for the period, the main intermediate balances reflecting the activity and funding, usually presented at the level of the income and expenses statements.

- The pro forma information includes a description of the assumptions made in its development.
- The issuer shall specify whether the historical information have undergone a limited review or audit by auditors.
- The pro forma information should be presented in the statements appendices.

Can issuers not subject to the provisions of the Law on public limited companies be exempted from the financial publication of the second half of the year?

Yes, because the deadline of publication under the second half of the year coincides with the annual publication.

From the financial information to the financial disclosure

In addition to disclosure requirements, the CDVM recommends issuers to adopt best practices to enhance market transparency.

Financial publications

- To shorten the deadline of publication of the semiannual statements moving from two months to three months from the closing date of the semester;
- To publish consolidated financial statements for companies who have subsidiaries even if the securities are listed on the second or third tier of the Exchange Securities;
- To publish quarterly indicators, preferably within 45 days after the closing of each quarter.

Organization of the financial disclosure

- Supporting financial publications by comments on the results achieved and their evolution;
- Post the press release in Arabic as well;

- Hold briefings with analysts and the press after the publication of results;
- Publish a schedule for the approximate dates of meetings of corporate bodies, financial publications and briefings;
- Appoint a person responsible for financial disclosure;
- Post the summary statements on the issuer website (in addition to the publication in a newspaper authorized to publish legal ads);
- Provide in the financial publications the contact information of the person in charge entitled to inform investors about the content of such publications.

PERMANENT DISCLOSURE

IMPORTANT INFORMATION

“The Corporations issuing public offering are required to disclosure in a newspaper authorized to publish legal ads, as soon as they are aware of it, any event occurring in their organization, their business, financial or technical situation, and that may have a significant influence on the share price of their securities or influence the assets of security holders”.



Art.18 of Dahir(royal decree)establishing Law N°1-93-212 as amended and supplemented
Art. III.2.31 the CDVM circular

What is considered as important information?

An important information is any event occurring in the organization or the business, technical, or financial situation of the issuers, and may have a significant influence on the share price of their securities (in case of listing) or an impact on the assets of the security holders (in case of public offerings without listing).

The significant influence can be positive or negative. It can therefore have a positive or negative impact on the share price or on the assets of the securities holders.

Assessing the quality of important information is the responsibility of the issuer’s officers and remains under their responsibility.

Is there an exhaustive list of facts defined as important?

No.

However in order to help issuers better understand the concept of important information, the CDVM gave examples of important facts in its codified circular, Appendix III.2.M, including:

- A significant change in the management team of the issuer;
- Obtaining or losing a market or an important contract;
- Launching a new product having a significant effect on the activity of the issuer;
- Any outdoor industry event to alter significantly the position of the issuer;
- A decision, reflecting a significant change in strategy;
- The acquisition or disposition of one or more major assets;
- A situation of insolvency or decision of reorganization or liquidation;
- Any establishment of a mortgage or pledge and any financial commitment on a significant fraction of the assets of the issuer;
- A decision to launch an operation of a public offering;
- A significant change in the consolidation;
- A shareholder reorganization, including a significant change in the participation of one or more shareholders;
- A decision affecting the capital structure of a company, such an increase or reduction of capital, merger, demerger, a partial transfer of assets, a public offering on the stock market;
- Decision of distribution of a dividend;
- A decision to split or consolidate shares;
- Signing a shareholder pact if it is brought to the attention of the company;
- A contentious case that could significantly affect the results, financial situation and the business of the company;
- **Alert on the results (profit warning).**

At what point does an issuer become subject to the publication of a profit warning?

An issuer is obliged to inform the market at the right time when its closing prospects must be changed.

The publication of a profit warning is mandatory when there is a break in terms of:

- The performance record of the issuer,
- The announced forecasts,
- The recent market consensus, and that, based on latest public information broadcast by the issuer.

The profit warning is released through a **press release**, detailing the impact on the financial situation of the issuer and the means implemented to redress the situation.

What are the arrangements for publishing important information?

Important information should be made public through a press release, inserted in a newspaper **authorized to publish legal ads**.

The said statement shall be prepared in a neutral style with specific facts, in sufficient detail to allow the public to appreciate the real substance of the information.

Issuers must ensure the full and effective dissemination of the press release in the chosen newspaper authorized to publish legal ads.

How long are the deadlines for the publication of important information?

Without deadline: The deadline of the publication of important information starts as soon as the issuer is aware of that information.

Can an issuer delay the publication of important information?

Although not recommended in general, the release of important information may legitimately be delayed if this information is likely to prejudice to the interests of the issuer, provided that it remains confidential.

This delay in the publication of important information can be subject to meeting certain cumulative conditions:

- Likelihood of affecting the interests of the issuer;
- Confidentiality guaranteed by the leaders;
- The non-publication of information does not induce the investor in error;

In case of listed securities, the issuer may request the CDVM, the suspension of trading of its securities pending publication of the important information in question.

This suspension is not granted to the issuer in a systematic way, and if agreed upon, it cannot last more than five trading sessions.

What is a rumor?

A rumor, contrary to information provided by the issuer, has an uncertain and persistent characteristic, causing an unusual and unjustified activity on the security.

How should an issuer respond to a rumor?

The issuer which has been subject to a persistent rumor must assess whether to publish a press release to confirm or deny the information.

If confirmed: the rumor is true, then it is an **information leak**.

If denied, the issuer must announce that there is no other undisclosed important information that would be causing this unusual activity of the price.

If the issuer does not respond to a rumor that caused its unusual activity on the stock market, the CDVM may request it to publish the press release mentioned above.

The CDVM recommendations regarding important information

Regarding important information, the CDVM recommends that issuers:

- Submit the draft press release prior to its publication to the CDVM notice, avoiding thus any further publication;
- Hold briefings with analysts and journalists after the publication of press releases relating to important events;
- Post important information on the issuer's website (after publication in a newspaper authorized to publish legal ads);
- Regarding press releases, provide contact information of the person who is entitled to give more information to the public;
- Draft and publish press releases in Arabic as well.

What are the disclosure requirements of foreign issuers issuing public offerings in Morocco?

Foreign issuers issuing public offerings in Morocco are subject to the same disclosure requirements of Moroccan issuers.

A foreign issuer whose registered office is located in Morocco must appoint a correspondent resident in Morocco, entitled to receive all correspondence from the CDVM. The said correspondent shall send to the CDVM all documents and information provided by the laws and regulations relating to the initial public offering or responding to any request for information made by the CDVM.

Are foreign issuers subject to the principle of information equivalence?

In addition to the annual and semi-annual publications, issuers making public offerings in Morocco and abroad must:

- Provide, simultaneously, in Morocco an identical information to that given abroad;
- Disseminate information, concurrently, in different places and make sure with the press of the exact time of the publication of the official press release. A suspension of trading may be necessary because of the jet lag;
- Regarding the information disseminated abroad, and which are not required by Moroccan law, the issuer must disseminate such information using media equivalents, and may also publish a press release in a newspaper authorized to publish legal ads, indicating the information content and specifying the dissemination medium used abroad.

INSIDER INFORMATION

What is insider information?

"Any information concerning the technical, commercial or financial functioning of the issuer or the prospects of a given security, **still unknown to the public** and that may affect the decision of an investor."



Art.25 of Dahir(royal decree) establishing Law N)1-93-212 as amended and supplemented

What is an insider trading?

The use by any person "(...) having, in the exercise of his profession or duties, insider information (...) to knowingly make or permit to carry on the market, either directly or through an intermediary, one or more transactions (...)".



Art.25 of Dahir(royal decree) establishing Law 1-93-212 as amended and supplemented

What is a false information?

The false information is defined as any misinformation, inaccurate or misleading, disseminated in order to cause manipulation of the price of the company securities.

What is a misleading information?

Any information that, even not false, is presented in a pernicious way as to induce the user into error. It can be a misleading graphical representation of the results on the evolution of a company. Similarly, omission of information or disclosure of incomplete information may affect the full information of the public and constitute, therefore, misleading information.



Art.26 of Dahir (royal decree) establishing Law N°1-93-212 as amended and supplemented

Who are the persons qualified as insiders?

The insiders can be grouped in two categories:

- **The permanent insiders:** Managers, members of the directors and supervisory boards as well as the usual participants in the process of preparing the company financial statements;
- **The occasional insiders:** Contractual partners (lawyers or consultants involved in a negotiation or an important decision on the situation of the company)...

What are the prohibitions imposed on insiders?

- **The insiders are required not to:**
 1. Use for personal purposes, directly or indirectly, inside information known to them in the performance of their duties;
 2. Forward to a third person using inside information to perform operations;
 3. Carry transactions in securities of the company from the moment they became aware of inside information until the date on which such information is made public **through press release, in a newspaper authorized to publish legal ads**. This is especially in the following situations:
 - ⇒ During the elaboration of financial statements;
 - ⇒ When carrying a strategic operation by the company;
 - ⇒ Decision to distribute a special dividend.

ETHICS

What are the organizational measures to be implemented by a listed company?

To avoid behaviors which could be described as breach of legal rules, listed companies are required to implement organizational measures to limit the dissemination and the use of inside information including:

- Appointment of a compliance officer responsible for ensuring the continuous compliance of the insiders with the ethics rules;
- Developing a code of ethics to be submitted to the CDVM no later than three months after the date of first listing.

Who may be entitled to be in charge of ethics within a listed company?

The function of the compliance officer is a permanent position within the company and must be held by a person with a good knowledge of legal and regulatory framework in force. The hierarchical position of the ethics officer must also ensure his independence from the other operational functions of the company.

What are the terms of the ethics officer appointment?

The company must inform the CDVM, in writing, of the identity of the person appointed as ethics officer on or before **the first day of trading**. It must submit to the CDVM a resume detailing his professional career. Otherwise change or departure of the ethics officer of the company must be justified and notified to the CDVM no later than the following **seven days**.

What are the responsibilities of the ethics officer within a listed company?

The ethics officer must:

- Ensure compliance with the rules of ethics;
- Establish and update the list of insiders;
- Ensure the implementation of written procedures in respect of insiders in case of direct intervention on the listed company securities and ensure that these procedures are followed;
- Notify the directorate board of any situation of conflict of interest even potential in the listed company;

- Prepare a report to be sent to the directorate board of the of listed company in case of breach of the code of ethics provisions ;
- Suggest to the directorate board of the listed company any changes that would strengthen the provisions of the code of ethics;
- Draft a semi-annual report to be sent to the CDVM no later than 30 calendar days after the closing of each semester.

Who bears the obligation to draw up a code of ethics?

Companies whose securities are listed on the Stock Exchange.

What is the use of a code of ethics?

The Code of Ethics formalizes rules of conduct to be followed within the company to avoid conflicts of interest and to guard against the risk of insider trading, false or misleading information.

What is the content of a code of ethics?

In addition to the specific rules of conduct within the specific activity of the company, the code of ethics includes:

- The rules governing the use and disclosure of inside information on the listed company;
- The rules for dealing with conflicts of interest, real or apparent to prevent committing insider trading or suspicion that such offense was committed;
- The specific rules on confidentiality of insider information that persons could hold in positions of "occasional insiders." In particular, this code may provide for the signature of a confidentiality agreement covering the mission during which they would have access to inside information;
- The provisions, other than those related to information, allowing to guide and supervise the conduct of professional duties in respect of employees of the listed company;
- A reminder of penalties for breaches of ethics rules.

The code of ethics must be constantly adapted to the organization of the listed company and, where appropriate, be subject to updates whenever necessary.

What is the deadline for a listed company to submit the code of ethics to the CDVM?

The code of ethics should be submitted to the CDVM within the following 3 months after the first listing.

Is there a sample model of a code of ethics for a listed company?

No, the code of ethics must be based on the internal organization of the company, so it is firm specific. If necessary, the CDVM may be consulted for advice, by listed companies for developing their code of ethics.

How can insiders ensure transparency of transactions on the company securities?

- Inform the ethics officer and require his prior agreement in case of transactions involving securities of the company;
- Transferring the management of their portfolio under a proxy management in case of holding securities;
- Record all transactions in a register at the company if the securities in question are not managed under a proxy management.

What should the semi-annual ethics report contain?

The semi-annual ethics report must contain elements provided for under the [data form](#) set by the CDVM including:

- Analysis and assessments of the compliance with the provisions provided by the code of ethics;
- Problems encountered in the implementation of the ethics code and the provided solutions;
- Awareness actions undertaken during the year;
- Updated list of insiders if any, and date of signing the commitment to respect the ethics rules of the listed company;
- If necessary, the codes of ethics update.



Art. III.2.25 CDVM Circular
Appendices V.2.8

DOCUMENTS TO BE FORWARDED TO THE CDVM

What are the documents to be forwarded to the CDVM when periodic disclosures are made?

Documents to be forwarded to the CDVM	Submission deadline to the CDVM
Publications	
Financial Publications Press releases	Within 7 days of the publication, indicating the date and the name of the used authorized newspaper to publish legal ads.
Reports	
<u>Ethics report</u> Management report of the governing body on the financial year Annual report, if applicable	30 days after the closing of each six month period Within the 20 days following the Ordinary General Meeting
Minutes	
Minutes of the governing body having approved the financial statements Minutes of the Ordinary General Meeting	No Later than 45 days following the holding of the governing body Within 20 days after the holding of the OGM
Declarations	
<u>Monthly buyback declarations</u> Managers declarations for companies with a share buyback program <u>Declaration of shareholding threshold crossing</u>	Within 5 days after the close of each month Within 5 days after the close of each month Within 5 days following the completion of that crossing

Source : CDVM

How to forward the documents to the CDVM?

It is strongly recommended that issuers send the documents listed above via email to the address below:

information_financiere@cdvm.gov.ma

The issuer must ensure systematically the receipt of such documents by the CDVM.

CORPORATE GOVERNANCE

Corporate governance is concerned with how companies are managed and controlled and ensures the ability of the management bodies:

- To pursue objectives in the interests of shareholders and other stakeholders;
- To implement systems for effective controls to manage potential conflicts of interest and potential risks and prevent abuses such as to uphold the interests of social interest.

What is the purpose of implementing a system of good governance?

Today there is a strong correlation between governance good practices, performance and business growth.

Indeed, good corporate governance can:

- Improve the performances and competitiveness and increase their long-term value through the quality of their governance bodies;
- Maximize access to funding and the cost of capital;
- Strengthen the confidence of investors and national and international donors ;
- To strengthen relationships with stakeholders (employees, shareholders, creditors, government).

Is there a Moroccan code of good corporate governance?

Yes, since March 2008.

Is the application of the Moroccan code of good corporate governance mandatory?

No. However its application is strongly recommended.

How to have access to the Moroccan code of good corporate governance?

[The Moroccan code of firms good corporate governance](#) can be downloaded from websites of the Economic and General Affairs ministry, the the General Confederation of Moroccan Enterprises or the CDVM.

What information to communicate in terms of corporate governance?

The company is recommended to devote a chapter on "Corporate Governance" in its management report, or where appropriate in its annual report.

The said chapter must include at least the following information:

- The adopted governance mode
- The composition of the governing body;
- The specialized committees works;
- The remuneration policy for members of the governing body and managers;
- Information on regulated agreements;
- Information on Major share ownership and voting rights;
- Information on existing shareholders' agreements and information on concert actions;
- Information on the policy of internal control and risk management;
- Information on contingent liabilities;
- Information on stakeholders that may affect the results and financial position of the company;
- Information on the strategy and objectives;
- The provisions of the Moroccan code of good corporate governance which was waived during the year and its explanation.

What is the mode of dissemination of information on corporate governance?

Information on corporate governance adopted by the issuer may be issued through its management report, annual report (if any) or on its website.