BMCE Bank – first bank in the Maghreb Region to get on board the Equator Principles

On May 10, 2010, BMCE Bank became the first bank in Morocco and the Maghreb Region to adopt the Equator Principles (EPs). BMCE Bank still remains the only financial institution in the region to make such a commitment. This is both rewarding yet challenging because there is no national regulatory framework for sustainable banking or sharing of best practices in the region.

Nonetheless, BMCE Bank is carrying on its due diligence efforts and improving the quality of its reporting over time. We capitalize on international gatherings to learn from other financial institutions that have advanced in their sustainability journey. In June 2013, BMCE Bank attended the EP Association's 10th Anniversary in Amsterdam and later in November, UNEP FI's Global Roundtable in Beijing. The Bank participated in the China-Africa Sustainable Banking Dialogues' panel entitled "*The Implementation of EP and other ESG frameworks– Highlights and Challenge.*"

About the Equator Principles

The Equator principles (EPs) is a risk management framework adopted by financial institutions for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.

EPFIs commit to implementing the EPs in their internal environmental and social policies, procedures and standards for financing projects and will not provide Project Finance or Project-Related Corporate Loans to projects where the client will not, or is unable to, comply with the EPs.

Adopted by over 79 financial institutions in 35 countries, BMCE Bank has been a member since 2010.

More information can be found on the Official website of the Equator Principles: www.equator-principles.com

Process of Implementation

An EP process for evaluating performance and management systems has been established to ensure systematic analysis of S&E risks by applying IFC's environmental and social Performance Standards to all new project finance investments of more than USD 10 million.

The Sustainable Development & CSR (SD & CSR) unit at BMCE Bank is responsible for oversight & implementation of the EPs. It coordinates between the Structured Finance department (which includes Project Finance), the Risk department and the bank's branch network. It also ensures that social and environmental criteria are incorporated into loan portfolio screenings.

Internal procedures for granting investment loans were revised this year by the SD & CSR unit. The ESMS information tool was also reviewed and updated to facilitate the process for the front office, to simplify loan screenings, and improve the output for reporting.

The Environmental and Social risk assessment process takes into consideration the nature of the project, its geographical location and its potential environmental and social impacts.

Overall, EP implementation includes the following steps:

- **Exclusion list** *(projects not financed by IFC and its clients)*
- **Categorization:** Each project is classified according to the following three categories:

Category A	Category B	Category C
Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented.	Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site–specific, largely reversible and readily addressed through mitigation measures	Projects with minimal or no adverse environmental and social risks and/or impacts

- **Collection of information** & data relating to the projects
- **Field visits** to project area of Category A and some Category B
- **Analysis** of the environmental & social risks of projects
- **Drafting an action plan**

In order to better assess activities with potential environmental risks, our due diligence process includes external assurance via an independent renowned expert to ensure compliance of the project with the Equator Principles. Moreover, environmental and social aspects are fully integrated in our assessment and implementation of projects. Following the independent expert's recommendations, and in case of non-compliance, contractual conditions are set for the client to comply with the action plans in the predefined timeframes.

Education & Training

During the year 2012, the Sustainable Development & CSR team participated in the discussions, debates and conf- calls around the preparation of EP III.

Training sessions on social & environmental (S&E) risk management for new recruits were held throughout the year, across the Bank's Business Centers.

Training of different actors involved in the EP process further took place. These included departments such as Project finance, Corporate Banking, Risk and major Business Centers, who were have been regularly informed about EP III updates over time. From mid-2013 onwards, specialized work sessions have been held on EP III and the specific changes in the processes and procedures for managing S&E risks.

These training efforts are deployed throughout the Bank's network in collaboration with the Internal Communication department, which helps the SD & CSR unit broaden awareness of S&E risk management in general and of EPs in particular.

Analysis of environmental risk management of projects eligible for EPs in 2012

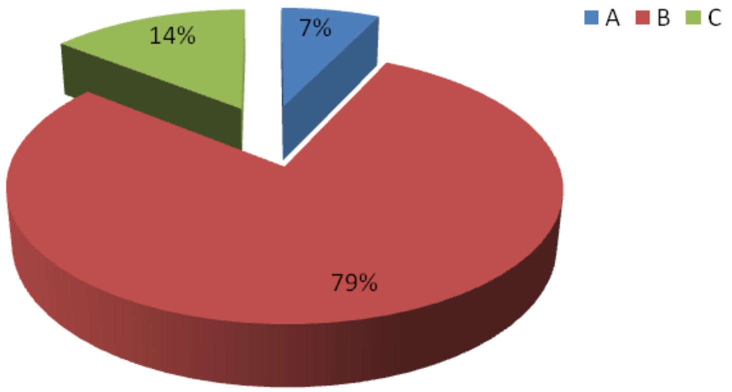
In 2012, 14 projects were evaluated by BMCE Bank according to the requirements of the Equator principles. These projects cover all categories (A, B & C).

We would like to clarify that transactions screened in this report correspond to project finance granted in 2012. Declined transactions, funding agreed to & signed in principle by BMCE Bank (2 projects) and projects currently being analyzed are excluded from this report.

Distribution of projects analyzed and categorized

The S & E risk categorization of projects eligible for EPs in 2012 showed a predominance of **category B** (with limited negative social or environmental impacts) over almost **79%** of projects, followed by the **category C** (with low adverse environmental and social risks and/or impacts) which covered **14%** of projects, followed by **category A** (with potential significant adverse social or environmental impacts but for which mitigation measures are taken into account) which covered only **7%** of projects analyzed.

Distribution per risk category

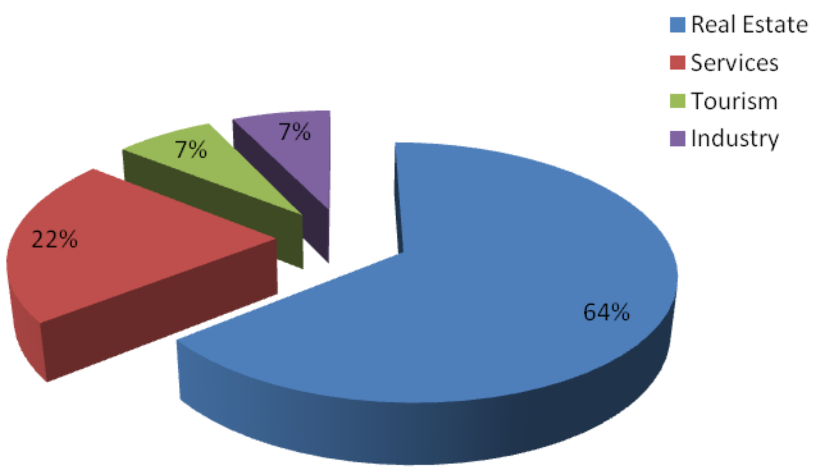


The 14 transactions assessed throughout the year 2012 correspond to project finance. The number of these transactions is much lower compared to 2011, during which 80 portfolios were evaluated. This decrease is a result of the international economic crisis.

Distribution of projects analyzed and categorized by sector

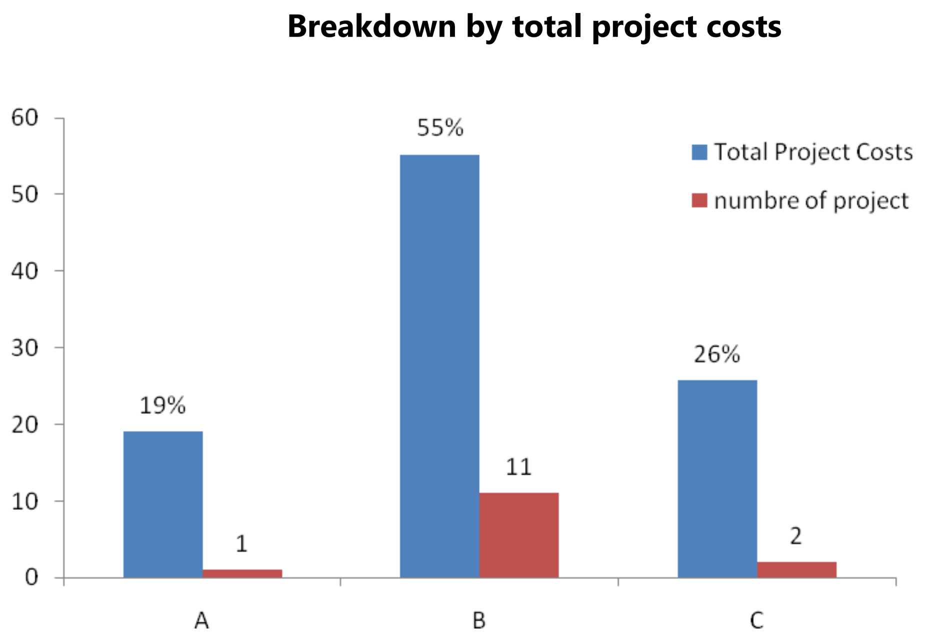
In regards to the distribution of loans by sector of activity, Real Estate takes the lead with more than 64% of projects, followed by the Services sector (more than 22%), Industry and Tourism (both accounting for 7%).

Distribution of projects by sector of activities



Breakdown by total project costs

The project cost distribution is summarized in the following figure:



The above diagram illustrates the total calculated project costs and takes into account the number of projects by category of risk. Overall, category B projects represent more than half of the total costs.

Tangier

Casablanca