

EQUATOR PRINCIPLES BMCE BANK 2011 ANNUAL REPORT

INDEX

1. Commitments per field of activity

2. Environmental risk management for the 2011 BMCE BANK portfolio

2.1. Distribution per risk category

2.2. Distribution of risk category per field of activity

3. Sustainable finance

4. *Green Business*

4.1. *Energico*

4.2. Other green products

5. Determined commitment towards Sustainable Development as a growth driver

5.1. Communication and awareness raising

5.2. International recognition and *leadership*

5.3. The Environmental Management System according to the *ISO 14001* standard

6. Achievements in 2011 in the implementation of the Equator Principles and 2012 action plan

6.1. Achievements in 2011

6.2. 2012 action plan

Appendix 1: Methodology and toolkit for social and environmental risk analysis

BMCE Bank has initiated the deployment of its environmental and social management tools with regard to the investment credit allowance policy since 2008. By the end of 2011, it enlarged this policy to operating loans and activities of its main subsidiaries.

This process was further consolidated with the adherence to the Equator Principles since May 2010, BMCE Bank thereby becoming the first Bank in Morocco and in the Maghreb region to adopt the Equator principles.

Adoption of such principles, which set a structuring framework in terms of environmental and social risk management in the project funding industry, represented the next step in the BMCE Bank long-term strategy in favor of Sustainable Development and RSE, most recently strengthened by the implementation of an ISO 14001 certified Environmental Management System.

1. Commitments per field of activities

The Bank's *Corporate* commitments are essentially distributed amongst financial, real estate development, power and gas production and distribution, transport and telecommunication activities which respectively stand for 38,56%, 14,17%, 9,87% and 8,62%.

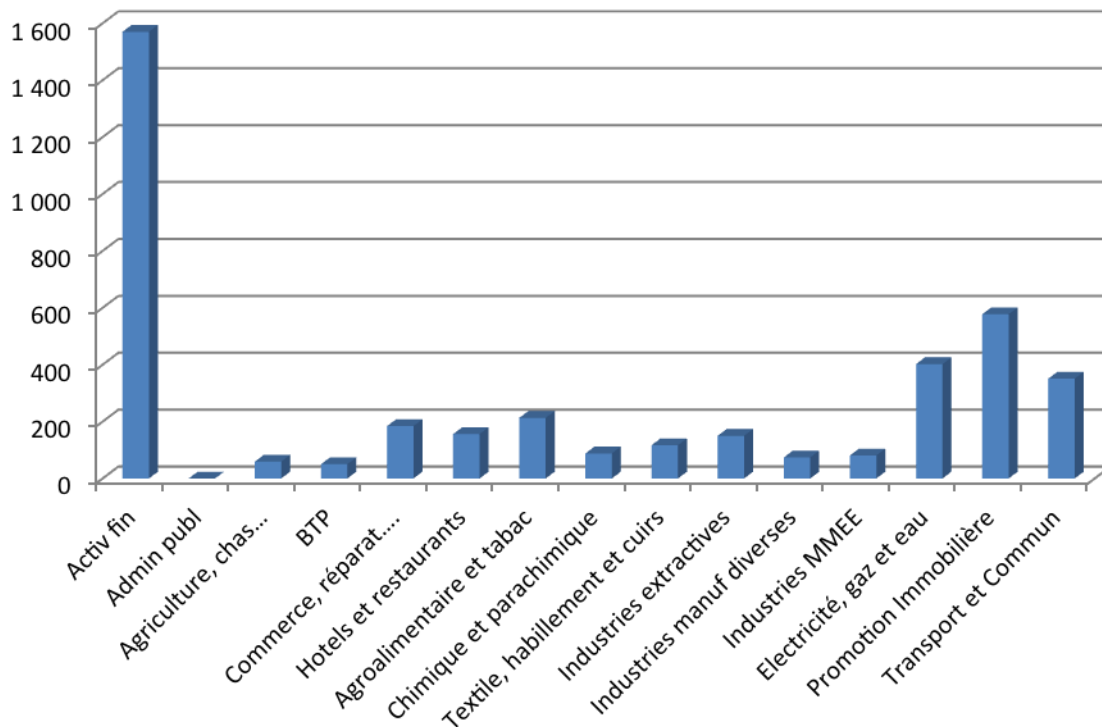
Tab 1: Commitments distribution per field of activities

Sectors	Amount in USD millions USD	Large Corporate	% of portfolio	SME	% of portfolio
Financial activities	1 724	1 570	38,56	154	5,75
Public Administrations	62	0	0,00	62	2,32
Agriculture, hunting and forestry,	79	59	1,45	20	0,75
Construction and public works	249	50	1,23	199	7,43
Trade, car and domestic appliances repairs	689	184	4,52	506	18,90
Hotels and restaurants	275	156	3,83	119	4,45
Agro-Food and Tobacco Industries	341	213	5,23	128	4,78
Chemical and paracheical Industries	220	88	2,16	133	4,97
Textile, clothing and leather	208	117	2,87	91	3,40
Extractive Industries	154	150	3,68	5	0,19
Miscellaneous manufacturing Industries	333	74	1,82	258	9,64
Steel, mechanical, electrical and electronical industries	174	81	1,99	93	3,47
Power, gas and water production and distribution	466	402	9,87	64	2,39
Real Estate Development	1 184	577	14,17	608	22,71
Transports and Communications	588	351	8,62	237	8,85
Total	6 746	4 072	100,00	2 677	100,00

*Rate applied on March 30, 2012 corresponding to USD 1 = MAD 8,57

The same observation must be made whenever analyzing the Bank's global commitments which englobe the same sectors, followed by those of the automotive trade and repair industry.

Commitments distribution per field of activities



2. Analysis of the environmental management risks of BMCE BANK's 2011 portfolio.

Analysis is carried out on the grounds of the data collected from the IT application consolidating social and environmental risk management of the Bank's fundings from 01/01/2011 to 31/12/2011.

2.1. Distribution per risk category

The global amount of analyzed and processed dossiers in function of social and environmental risk management until 31/12/2011 amounts to 81 dossiers. The distribution per risk category made by the Bank's sales force on the grounds of the IFC methodology, shows a majority of the B category corresponding to 36%, followed by A with 27%, C with 23% and finally, financial intermediaries (FI) with 14%.

Tab 2: Commitments distribution per risk category

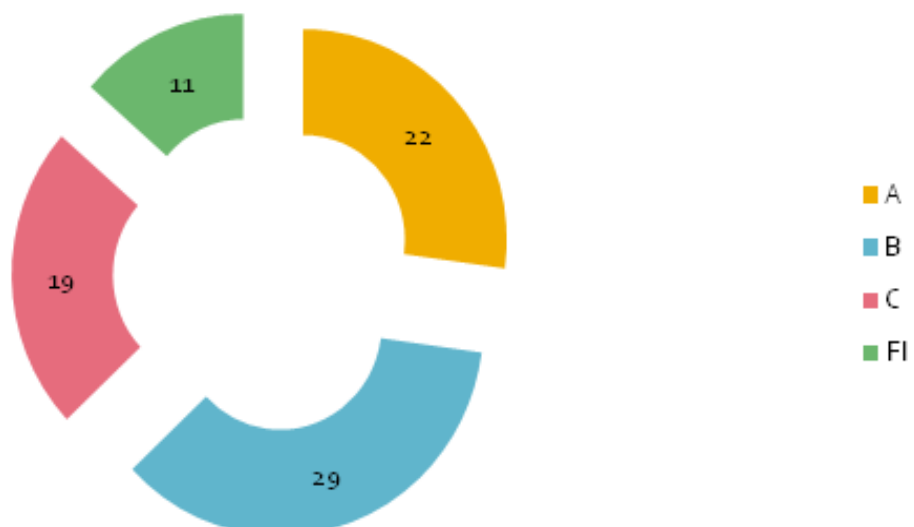
	Number of Projects	% of Projects	Average tenor of loan (months)	Value of exposure (US\$ million)	% of Corporate Portfolio
A Category	22	27%	111.36	354	49%
B Category	29	36%	66.96	148	21%
C Category	19	23%	81.88	46	6%
FI	11	14%	66.16	171	24%
TOTAL	81	100%	-	719	100%

These are new requests granted in 2011. Percentages are calculated on the grounds of the 2011 authorizations amounts and not of outstandings presented in Table N°1.

When analyzing commitments per amount and per risk category we realize, logically, that A category stands for a 49% share, followed by 24% for FI category, 21% for B category and finally comes C category with 6% of the amounts of the commitments.

Let us indicate that large A category dossiers with significant environmental impact are being analyzed through SEDD (*Social & Environmental Due Diligence*).

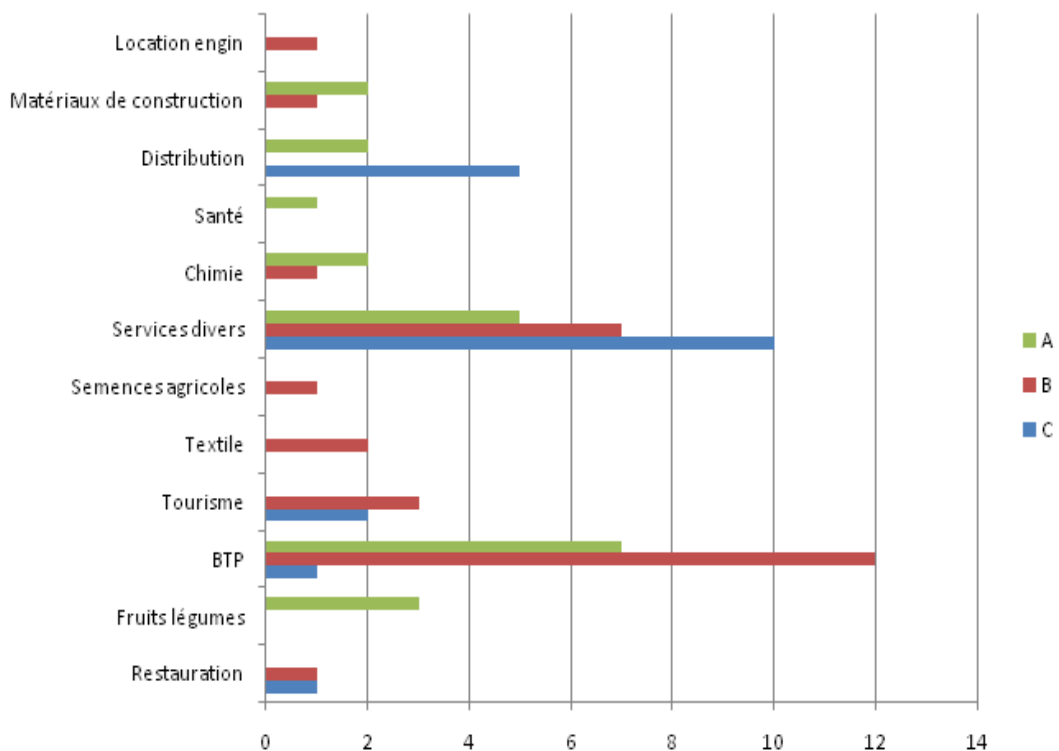
Catégorie de risques



2.2. Risk distribution per category of activity

In the graph below, we may observe that B category is predominant in BMCE Bank's portfolio. Special effort should be placed on A category cases after correcting potential inputting mistakes.

Sectors representing the highest risk for the Bank are the building industry, miscellaneous services, distribution, fruits and vegetables, chemistry, building materials.



3. Sustainable Finance

During 2011, the Bank maintained its financing efforts for environment friendly projects in the framework of sustainable finance as illustrated in the following graph.

Tab 3: A few sustainable finance projects

Field of activity	Object of Funding	BMCE Bank Commitment
Power production: windpower and combined cycle	Partial funding of renewable energy production projects (windpower) or of combined cycle (use of gas). Projects' objective: Co2 reduction and decreased fuel oil consumption.	US\$ 268 millions
Transportation	Purchase of a new generation bus fleet	US\$ 13 millions
Real Estate & Tourism	Several integrated projects taking environmental aspects into account (Depuration plant, power consumption,...)	US\$ 18.3 millions
Water & power distribution	Funding of investments linked to the water infrastructure, sanitation and power. Objective: enhanced resource usage and population access.	US\$ 210 millions
Water desalination	In the context of a concession, the project consists of the installation of sea water desalination for a target population of over a million inhabitants.	US\$ 140 millions
Steel industry, cement plants, port infrastructure, airports...	Financing a process water recycling plant; a depuration plant; power efficient projects using cogeneration; a phosphoric acid plant (with an S&E risk management plan).	US\$ 240,6 millions

**The exchange rate applied on March 30, 2012 being USD 1 = MAD 8,57*

BMCE Bank is ever more committed to supporting Morocco's efforts towards funding environment friendly activities and projects. Therefore, several actions connected to sustainable finance are being focused on, namely :

- Funding of power efficiency and renewable energies;
- Depollution funds such as FODEP ;
- Credit lines to lease power efficient equipment;
- Credit lines to lease power production equipment (*renewable energies*).

4. Green Business

In view of offering adequate funding solutions in line with sustainable finance needs, BMCE Bank launched the first « Green » product on the Moroccan market in 2011 and is pursuing the development of new products for the private individuals' segment.

4.1. ENERGICO

Launched in 2011 and marketed in 2012, ENERGICO is a mid-term credit for the funding of equipment purchased to meet eco efficiency goals.

ENERGICO funds the following investments

- Acquisition of equipment enabling power consumption reduction;
- Expansion of this activity's modernization by investments integrating equipment or technologies with enhanced « eco efficiency »

4.2. Other green products

Studies are underway to examine opportunities on the Moroccan market related to finance products aimed at corporate and private individuals' segments.

Indeed, whether funding renewable energies, power efficiency or sustainable construction, some niches may be covered both by consumer credit and by credit lines or by leasing funding.

5. Strong commitment towards sustainable development consolidation as a driver for growth.

5.1. Communication and awareness raising

Several awareness raising actions have been organized to the benefit of all external contractors and employees of companies such as those of security, surveillance, cleaning in order to share BMCE Bank's environmental policy values and be involved in a responsible management policy of direct impacts.

Each year, *Earth Day* is celebrated by BMCE Bank through the organization of awareness raising sessions to eco-attitudes for the benefit of employees' children and the organization of thematic drawing and painting sessions illustrating the commitment towards environmental protection. Children's works are then exposed in the Head Quarters` and the Club's restaurants.

5.2. International recognition and leadership

BMCE Bank's Environmental actions in 2011 were crowned by the award of « *Top RSE Performer Morocco* » and VIGEO, the European rating agency, in January 2012, for 2 fields:

- Contribution to general interest causes through the BMCE Bank Foundation for Education and Environment;
- The BMCE Bank environmental strategy through the development of SEMS and SME.

Moreover, BMCE has been requested by several international partners, to present its experience in managing social and environmental risks for its funding in several events in Europe, Africa and the Middle East.

BMCE Bank is working within the framework of a policy of sharing experiences so as to replicate successful models in sub-Saharan Africa through the deployment, in the first instance, of the *Environmental and Social Management System* within the *Bank Of Africa*, its African subsidiary.

In addition, and consistent with our proactive approach, BMCE Bank joined the Equator Principles Working Group for raising awareness in Africa / Middle East to promote the best Environmental and Social practices in the Region.

5.3. The Environmental Management System according to ISO 14001

In the context of the project of implementing an *Environmental Management System (EMS)* at all sites and throughout its banking activities, BMCE successfully passed in June 2011 the audit for ISO 14001 certification with a score of zero non-compliance. BMCE thus became the first bank in Morocco and the Middle East / North African region to be awarded such a distinction by Bureau *Veritas Certification*.

ISO 14001 certification, which focused on an area composed of the Bank's Headquarters, its network and the BMCE club, devotes the mobilization and commitment of all employees within the Network and central BMCE Bank entities to implementing an EMS to improve the bank's environmental performance across the following areas:

- Ensuring mastery of significant direct environmental impacts related to the institution's current operation: (i) the consumption of water, electricity and paper, (ii) releases that are waste, gas (transport), noise (construction and technical installations), odors (technical facilities and sites) and (iii) accidental situations (chemical spill, fire ...);

- Ensuring mastery of indirect environmental impacts: the challenge being to educate the customer in relation to the potentially adverse impacts on social and environmental levels of projects financed by the Bank;
- Develop study activities and funding for green projects related to Sustainable Development professions including energy efficiency and renewable energy.

6. Achievements in 2011 as part of the implementation of the Equator Principles and 2012 Action Plan

6.1. Achievements in 2011

During 2011 and in context of the pursuit of the implementation of EPs within BMCE business processes, several actions were performed. In fact:

- ▶ A major effort to train the Sales force on new procedures for project financing was conducted throughout the year with an increasing awareness of the benefits of the application of EP to finance projects;
- ▶ A systematic analysis of Environmental and Social reports provided by customers subject to PE was strengthened;
- ▶ An annual evaluation is conducted to measure the degree of BMCE Bank's compliance with EP commitments and implement an action plan for continuous improvement;
- ▶ A project to redesign the Bank's information system with the integration of EP requirements in risk analysis of funded projects;
- ▶ Improved monitoring of high-risk projects (category A) with the automatic creation of an environmental and social due diligence;

6.2. The action plan for 2012

During the year 2012 several activities are planned:

- ▶ Training and awareness raising of the sales force as well as Bank partners (customers and suppliers);
- ▶ Reflection, in collaboration with business entities involved, on how to improve assessment tools of Equator Principles in Bank procedures;
- ▶ Study on standardization of integration of EP clauses in the credit contract before approving the loan.

Appendix 1: Methodology and toolkit for the analysis of social and environmental risks

1. The analysis tools of social and environmental risk

Since 2008, year of the implementation of the SEMS (*Social & Environmental Management System*), BMCE Bank has developed a toolkit to help the Sales force and risk analysts in their business to correctly manage the social and environmental risks of funded projects. Tools have been developed internally and in partnership with our other reference partners in this area such as the IFC.

Thus, the implementation of BMCE's commitments in analyzing S&E investment projects benefited from the establishment of a computerized application (online), providing sectoral questionnaires and generating recommendations as well as mitigation plans to propose and discuss with customers.

In addition, and for the benefit of CRM and risk analysts, the Bank *intranet* was fueled by several materials and tools:

- ▶ National social and environmental regulation;
- ▶ Performance standards and recommendations of the IFC;
- ▶ Sectoral directives on health and safety of the IFC;
- ▶ Exclusion list;
- ▶ FMO sectoral directives;
- ▶ Practical guide to the use of SEMS application online;
- ▶ Sectoral questionnaires;
- ▶ Glossary of key concepts used.

2. The methodology for the analysis of social and environmental risk

Inspired by the approach of the IFC, the methodological approach of risk analysis in Social and Environmental BMCE, following the path below:

- Information on the MSDS and customer credit;
- The level of risk categorization of the project in question (A, B, C or FI) based on the level of potential risk (A for high risk potential, B for medium, C for service companies and FI for financial intermediaries) with Environmental & Social requirements which vary according to the categorization of the project:
 - **Category A:** Projects with significant social and environmental impacts, which are irreversible or unprecedented;
 - **Category B:** Projects with potentially a small number of social and environmental impacts, usually limited to the project site and reversible or readily addressed through mitigation measures;

- **Category C:** Projects for Service companies with minimal or no social and environmental impacts;
 - **Category FI:** financial intermediaries.
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- The choice of questionnaire risk analysis by sector or sub-sector;
 - Sending the questionnaire to clients to collect information on the project;
 - The information of questionnaire responses on the SEMS application;
 - The integration of Environmental and Social analysis in the loan documents;
 - Discussion with the client about the action plan`s recommendations to minimize and mitigate potential risks;
 - Monitoring of the project with the client based on the action plan initiated.