

PUBLIC

**DOCUMENT OF THE EUROPEAN BANK  
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 29 January 2024<sup>1</sup>

**MOROCCO**

**ONCF GREEN BOND**

*[Redacted in line with the EBRD's Access to Information Policy]*

*[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]*

---

<sup>1</sup> As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

PUBLIC

## TABLE OF CONTENTS

<b>TABLE OF CONTENTS .....</b>	<b>2</b>
<b>ABBREVIATIONS / CURRENCY CONVERSIONS.....</b>	<b>3</b>
<b>PRESIDENT'S RECOMMENDATION .....</b>	<b>4</b>
<b>BOARD DECISION SHEET .....</b>	<b>5</b>
<b>ADDITIONAL SUMMARY TERMS FACTSHEET .....</b>	<b>6</b>
<b>1. STRATEGIC FIT AND KEY ISSUES.....</b>	<b>7</b>
1.1 STRATEGIC CONTEXT.....	7
1.2 TRANSITION IMPACT .....	8
1.3 ADDITIONALITY.....	9
1.4 SOUND BANKING - KEY RISKS .....	11
<b>2. MEASURING / MONITORING SUCCESS.....</b>	<b>11</b>
<b>3. KEY PARTIES .....</b>	<b>13</b>
3.1 BORROWER / ISSUER.....	13
3.2 GUARANTOR .....	13
<b>4. MARKET CONTEXT .....</b>	<b>14</b>
<b>5. FINANCIAL / ECONOMIC ANALYSIS .....</b>	<b>17</b>
5.1 FINANCIAL PROJECTIONS .....	17
5.2 EXIT STRATEGY .....	17
5.3 SENSITIVITY ANALYSIS .....	17
5.4 PROJECTED PROFITABILITY FOR THE BANK .....	17
<b>6. OTHER KEY CONSIDERATIONS.....</b>	<b>18</b>
6.1 ENVIRONMENT .....	18
6.2 INTEGRITY.....	18
<b>ANNEX I - TRANSITION IMPACT SCORING CHART.....</b>	<b>20</b>
<b>ANNEX II - SHAREHOLDING STRUCTURE .....</b>	<b>21</b>
21	
<b>ANNEX III – INVESTMENT PROGRAM AND DEBT BREAKDOWN .....</b>	<b>22</b>
<b>ANNEX IV – FINANCIAL STATEMENTS.....</b>	<b>24</b>
<b>ANNEX V – GREEN ASSESSMENT.....</b>	<b>25</b>
<b>ANNEX VI – DESCRIPTION OF THE TAMWILCOM GUARANTEE MECHANISM.....</b>	<b>28</b>
<b>ANNEX VII – PROCUREMENT ANNEX .....</b>	<b>29</b>

**ABBREVIATIONS / CURRENCY CONVERSIONS**

AFDB	African Development Bank
AMMC	Autorité Marocaine du Marché des Capitaux
AMI	Annual Mobilised Investment
CAPEX	Capital Expenditures
CAGR	Compound Annual Growth Rate
CBI	Climate Bonds Initiative
CCG	Caisse Centrale de Garantie
CSR	Corporate Social Responsibility
DFI	Development Financial Institution
DSCR	Debt Service Coverage Ratio
EBITDA	Earnings Before Interest Taxes, Depreciation and Amortization
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
E&S	Environmental and Social
ESAP	Environmental and Social Action Plan
ESG	Environment, Social and Governance
ESP	Environmental and Social Policy
EUR	Euro
FGEEP	Guarantee Fund of Public Establishments and Enterprises
FY	Fiscal Year
GBP	Green Bond Principles
GET	Green Economy Transition
GHG	Greenhouse Gases
GSM-R	Global System for Mobile Communications – Railway
ICMA	The International Capital Markets Association
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
IRR	Internal Rate of Return
ISO	International Organization for Standardization
MAD	Moroccan Dirham
MEF	Ministry of Economy and Finance
MoU	Memorandum of Understanding
MTL	Ministry of Transport and Logistics
NWM	Nador West Med Port
OCP	Office Chérifien des Phosphates
ONCF	Office National des Chemins de Fer
ONEE	Office National d'Eau et d'Electricité
PA	Paris Aligned
PP&R	Procurement Policies & Rules
PPAD	Procurement Policy and Advisory Department
PR	Performance Requirements
SLL	Sustainability-Linked Loan
SNGFE	Société Nationale de Garantie et du Financement de l'Entreprise or Tamwilcom
SoE	State-owned Entity
SOP	State Ownership Policy
SPO	Second Party Opinion
TC	Technical Co-operation
UoP	Use of Proceeds
VAT	Value-added Tax
YE	Year End

**MAD/EUR: 0.096 as of 03/01/2025**

## PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of the Office National des Chemins de Fer (“**ONCF**”, “**the Issuer**” or “**the Company**”), a State-owned Entity (“**SoE**”) established in Morocco, are submitted for consideration by the Board of Directors.

The transaction entails the Bank's subscription to Tranche A of a local currency Green Bond issued by ONCF in the amount of up to MAD 400mn (EUR 38.4mn equivalent). The total bond issuance will be for an amount of up to MAD 2bn (EUR 192mn equivalent) through a public placement. The bond will be guaranteed by the Société Nationale de Garantie et du Financement de l'Entreprise (“**SNGFE**”, known by its trade name of “**Tamwilcom**”), a state-owned guarantee provider in Morocco.

The proceeds will be used to refinance a portion of ONCF's local outstanding commercial debt as part of its balance sheet restructuring efforts. Tranche A will be used to refinance debt linked to two projects under ONCF's investment programme: (i) the capacity increase via the construction of additional passenger and freight rail lines between the cities of Casablanca and Kenitra, and (ii) the acquisition and upgrade of electrified rolling stock (“**the Project**”).

The Project's primary transition quality is Resilient as it contributes to overall capital market development through further promoting the role of capital markets in funding sustainable infrastructure in Morocco. The Project will also support the Green transition quality supporting a Green Bond issuance consisting of the refinancing of debt for a series of investment projects targeting low-carbon sustainable connectivity and is 100% GET-eligible.

Two TC assignments are included in this Project for the aggregate amount of EUR 425,000, funded from the EBRD's Shareholder Special Fund. The TC assignments aim to support (i) support ONCF in developing a Sustainability Linked Loan framework for the development of new innovative green financing instruments [REDACTED]; and (ii) ONCF's transition to IFRS to meet the highest international reporting standards and corporate governance initiatives [REDACTED].

I am satisfied that the operation is consistent with the Bank's Strategy for Morocco, the Bank's Infrastructure Sector Strategy, the Bank's Green Economy Transition Approach 2021-2025, and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed investment substantially on the terms of the attached Report.

**Odile Renaud-Basso**

## BOARD DECISION SHEET

Morocco – ONCF Green Bond – DTM 56059	
<b>Transaction / Board Decision</b>	Board approval <sup>2</sup> is sought for the subscription to the 15-year tranche of the local currency domestic Green Bond (Tranche A) in Morocco for an amount of up to MAD 400mn (EUR 38.4mn equivalent), representing up to 20% of the overall issuance. The overall issuance will be for up to MAD 2bn (EUR 192mn equivalent) [REDACTED] through public placement [REDACTED]. Other investors are expected to include local institutional investors and mutual funds [REDACTED]. The arranger is CDG Capital. The Green Bond will be aligned with the guidelines of the local markets regulator and based on the ICMA Green Bond Principles, confirmed by a Second Party Opinion by Morningstar Sustainalytics. It will be the second Green Bond issued in the infrastructure sector in Morocco.
<b>Client</b>	<b>The Issuer:</b> ONCF, Morocco's national railway operator, is a state-owned entity organised as a public establishment with an industrial and commercial nature., involved in: (i) phosphate rock transport carried out for the state-owned Office Chérifien des Phosphates (“OCP”), (ii) general freight transport, and (iii) intercity passenger transport. The Company is responsible for building and maintaining the rail infrastructure and operating train services. ONCF is the network owner and operator for the Moroccan railway sector. Based on audited financials of YE2023, ONCF's revenues stood at EUR 414mn with an EBITDA of EUR 154mn. ONCF operates an asset base totalling EUR 6.6bn. <b>The Guarantor:</b> The loan will be guaranteed by the Société Nationale de Garantie et de Financement de l'Entreprise (“SNGFE”), a state-owned guarantee fund.
<b>Main Elements of the Proposal</b>	<u>Transition impact:</u> The Project's primary transition quality is Resilient as it contributes to overall capital market development through further promoting the role of capital markets, in particular the use of green bonds, in the Moroccan infrastructure sector. [REDACTED]. The secondary transition quality is Green as the Project refinances commercial debt linked to ONCF's investment programme (“the Investment Programme”) as defined in Annex III which increased usage of electrified lines and renewable energy and has a 100% GET share. <u>Additionality:</u> EBRD support will help the client (i) close a funding gap in the bond issuance, (ii) pursue institutional reform via development of a Sustainability-Linked Loan (“SLL”) framework, and (iii) improve governance through introducing International Financial Reporting Standards (“IFRS”). <u>Sound banking</u> – Guarantee provided by state-owned entity SNGFE (known by its trade name of “Tamwilcom”), which in turn is backed by a state guarantee.
<b>Key Risks</b>	1) Phosphate Transport Revenue Concentration Risk: [REDACTED]. 2) Energy Price Risk: [REDACTED] 3) Regulatory Risk: [REDACTED] 4) Repayment Risk: [REDACTED]
<b>Strategic Fit Summary</b>	The Project is consistent with the Bank's Strategy for Morocco, the Infrastructure Sector Strategy, the Bank's Green Economy Transition Approach 2021-2025, and the Agreement Establishing the Bank.

<sup>2</sup> Article 27 of the AEB provides the basis for this decision.

## ADDITIONAL SUMMARY TERMS FACTSHEET

<b>EBRD Transaction</b>	Subscription to the 15-year tranche of the local currency domestic Green Bond (Tranche A) in Morocco for an amount of up to MAD 400mn (EUR 38.4mn equivalent), representing up to 20% of the overall issuance. The overall Green Bond issuance will be for up to MAD 2bn (EUR 192mn equivalent) [REDACTED] through public placement [REDACTED]. Other investors are expected to include local institutional investors and mutual funds. [REDACTED]. The Arranger is CDG Capital. The Green Bond will be aligned with the guidelines of the local capital markets regulator and follow the ICMA Green Bond Principles as confirmed by a Second Party Opinion, issued by Morningstar Sustainalytics. It will be the second Green Bond to be issued in the infrastructure sector in Morocco by ONCF.
<b>Existing Exposure</b>	Existing exposure is EUR 18.9mn in debt portfolio [REDACTED] where the Bank subscribed to MAD 200mn (EUR 18.9mn equivalent) of a [REDACTED] local currency domestic green bond issued by ONCF, representing 20% of the overall issuance, which amounted to MAD 1bn (EUR 96mn equivalent).
<b>Maturity / Exit / Repayment</b>	15 years [REDACTED].
<b>Potential AMI eligible financing</b>	None
<b>Use of Proceeds (“UoP”) - Description</b>	The proceeds will refinance a portion of ONCF's local outstanding commercial debt as part of its balance sheet restructuring exercise. The Tranche A UoP, to the which the Bank will participate, will refinance commercial debt associated with two specific projects under ONCF's Investment Programme (defined in Annex III): (i) the capacity increase between the cities of Casablanca and Kenitra, and (ii) the acquisition and upgrade of electrified rolling stock. [REDACTED]The projects, which are all still in operation, are assessed against the Climate Bonds Initiative (“CBI”) Green Eligibility Criteria and fall under the ‘standard green use of proceeds’ category as defined by the ICMA Green Bond Principles. The projects support the ONCF's strategy of enabling a modal shift from more carbon-intensive transport alternatives, support to the further deployment of renewable energy sources, and allow for further economic integration of major industrial cities.
<b>Investment Plan</b>	N/A as this Project supports a refinancing of commercial debt.
<b>Financing Plan</b>	[REDACTED]
<b>Key Parties Involved</b>	Issuer: Office National des Chemins de Fer (“ONCF”) Guarantor: SNGFE / Tamwilcom Other participants: Anticipated to be Moroccan investors including mutual funds and asset managers. [REDACTED]
<b>Conditions to subscription / disbursement</b>	[REDACTED]
<b>Key Covenants</b>	[REDACTED]
<b>Security / Guarantees</b>	Guarantee by SNGFE/Tamwilcom
<b>Other material agreements</b>	[REDACTED]
<b>Associated Donor Funded TC and Blended Concessional Finance</b>	Two TC assignments are included for this operation in an aggregate amount of EUR 425,000, both from the EBRD's Shareholder Special Fund. <b>TC1 (“Sustainability Linked Loans Framework development”)</b> : To support ONCF in developing a Sustainability Linked Loans framework that will enable the Company to develop new innovative green financing instruments

	[REDACTED]. <b>TC2 (“IFRS transition”)</b> : To support ONCF’s transition to IFRS to be in line with the international reporting standards [REDACTED].
--	--

[REDACTED]

## INVESTMENT PROPOSAL SUMMARY

### 1. STRATEGIC FIT AND KEY ISSUES

#### 1.1 STRATEGIC CONTEXT

ONCF, as the national railway operator, has pursued multiple investment programmes and network expansions, enabling it to support the growing Moroccan economy and meet national initiatives. Accordingly, substantial investments and expansions have resulted in a high debt burden, thus impacting ONCF’s financial profile. [REDACTED]

In this context, and to further diversify both its pool of funders and its range of financial instruments, ONCF is launching the second green bond in the infrastructure sector in Morocco, guaranteed by Tamwilcom. The bond will refinance a portion of ONCF’s local outstanding commercial debt as part of its balance sheet restructuring efforts. [REDACTED]. The addition of a technical co-operation regarding ONCF’s transition to IFRS accounting methodology further supports the Moroccan state’s strategic objectives to enhance governance of SOEs and adhere to the highest international standards in preparation of their transformation.

[REDACTED]. The use of proceeds will refinance ONCF’s commercial debt linked to two projects in the Investment Programme: (i) the capacity increase via the construction of additional passenger and freight rail lines between the cities of Casablanca and Kenitra, and (ii) the acquisition and upgrade of electrified rolling stock. Additionally, all projects in the Programme remain in use, and continue to have a sustained positive green impact on ONCF services given their use of electrified lines and renewable energy. The bond will be issued in line with the CBI Green Eligibility Criteria and the ICMA Green Bond Principles and will be verified by a Second Party Opinion provided by Morningstar Sustainalytics. The refinancing will relieve pressure on ONCF’s cashflow in the short term and allow it to continue its capital expenditure programme.

The Project is aligned with the Morocco Country Strategy given that the transaction supports a ‘strengthened resilience via further development of capital markets and local currency products.’ Green bonds are in their infancy in Morocco, with existing issues limited mostly to the financial sector; the Project will continue to give a positive signal to the market regarding the relevance and applicability of green bonds in the sector. Moreover, the bond will ultimately refinance debt linked to an Investment Programme which supported the migration to renewable energy. The Project is also in line with the Infrastructure Sector Strategy 2019-2024 as the issuance of a green bond and subsequent balance sheet restructuring for ONCF will allow the Bank to ‘enable better-connected, safer and more integrated’ infrastructure in Morocco.

## 1.2 TRANSITION IMPACT

### Primary Quality: Resilient

Obj. No.	Objective	Details
1.1	<i>The transaction contributes significantly to capital market development by introducing a new instrument in local currency (debt instrument).</i>	ONCF is launching the second green bond in the infrastructure sector in Morocco, guaranteed by Tamwilcom. [REDACTED] [The] use of proceeds to [the Tranche] which the EBRD is participating, will refinance debt linked to two projects under the Investment Programme: (i) the capacity increase between the cities of Casablanca and Kenitra, and (ii) the acquisition and upgrade of electrified rolling stock. [REDACTED]. The bond will be issued in line with the ICMA Green Bond Principles as verified by a Second Party Opinion. This transaction is similar to the green bond issuance in July 2022, which EBRD subscribed to as well Project Greenwich; however, while the previous transaction only refinanced debt linked to the Al-Boraq high-speed train line, the current transaction refinances debt linked to a different capex as detailed in Annex III. Additionally, the transaction further supports overall resilience through: (i) improving the client's financial stability as the refinancing will better match asset lives with the funding structure, given that the bond issuance has a long tenor in line with the asset life; and (ii) through improving standards beyond national regulatory requirements through a technical co-operation to support ONCF in implementing IFRS methodology for its financial reporting.
1.2	<i>[REDACTED] the issuance is expected to be placed with private non-IFI investors.</i>	EBRD anticipates taking a 20% share. [REDACTED]

### Secondary Quality: Green

Obj. No.	Objective	Details
2.1	<i>The percentage of EBRD use of proceeds that supports a green economy transition and therefore qualifies as GET finance is 15% or higher.</i>	The Project consists of EBRD subscribing to [REDACTED] a local currency domestic Green Bond issued by ONCF to refinance its local outstanding commercial debt from the Investment Programme. The Project is 100% GET eligible. The Green Bond will be aligned with the CBI Green Eligibility Criteria and the Green Bond Principles of the International Capital Market Association (ICMA) which will be confirmed by Morningstar Sustainability (Second Party Opinion).
2.2	<i>The project introduces a nationally or regionally</i>	The Project includes the development of a SLL framework, which would be a first for the railway sector and would contribute towards demonstration efforts within the broader Moroccan market. Sustainability-linked loans/bonds are types of loan instruments



<i>innovative green business model, which accelerates the uptake of environmentally friendly products or services and is one of the first three of its kind.</i>	and/or contingent facilities (such as guarantee lines or letters of credit) which incentivize the borrower's achievement of ambitious, predetermined sustainability performance objectives. The Borrower's sustainability performance is measured using sustainability performance targets ("SPTs") relative to one or several material key performance indicators ("KPIs"), external ratings and/or equivalent metrics and which measure improvements in the borrower's sustainability profile. This type of sustainable financing does focus on a defined number of green projects but aims to reflect the overall progress of the issuer in their sustainability strategy. The development of a framework can support ONCF in future green bond issuances / participation in various other green financial products, increasing the available pool of capital to support ONCF in its sustainable strategy.
--	---

### Risks to TI delivery

The delivery risks relate to a possibly reduced appetite for ONCF bonds / green bonds from commercial investors in Morocco, leading to IFIs or public sector dependence for the placement of the green bond. However, ONCF has a solid track record as a frequent issuer and the continued attractiveness of high-speed rail as a low-carbon transport mode is critical. Additionally, the issuance of a similar bond in 2022 [REDACTED] offers comfort, given that the earlier issuance was well received.

### 1.3 ADDITIONALITY

Identified triggers	Description
Refinancing: A significant share (at least 30%) of the project is for refinancing purposes.	<p>The use of proceeds will be used to refinance initial debt incurred for the Project (as detailed in Annex III) to support the Company in its balance sheet restructuring. None of the debt to be refinanced is from IFIs or DFIs. The refinancing will better match asset lives with the funding structure, given that the proposed bond issuance has a longer tenor.</p> <p>Refinancing is accepted by the ICMA Green Bond Principles and the GET methodology for green bond issuances. Specifically, in the context of this transaction, the refinancing of the existing debt is an integral part of the multi-decade plan to decarbonise the rail network [REDACTED]. This plan is ongoing and requires a dynamic financing strategy. Green bonds are an appropriate tool given the nature of the project and can attract private investors to contribute to the refinancing.</p>

Additionality sources	Evidence of additionality sources
<p><b>Financing Structure -</b> Capital Markets: EBRD financing is expected to effectively ‘close the funding gap’ and allows carrying out a successful book-building process.</p>	<p>EBRD’s involvement was crucial for the success of the previous issuance of an ONCF green bond, as the EBRD presence enabled the client to fill a 20% funding gap of the proposed issuance. As part of this transaction, EBRD is again requested by the client to participate to close the funding gap and ensure a successful book-building process, while also providing support for structuring the bond in line with ICMA Green Bond Principles. [REDACTED].</p>
<p><b>Innovative financing structures and/or instruments</b> EBRD offers an innovative green finance instrument that integrates aspects such as climate and environmental, social and governance (ESG) standards and/or climate and ESG risk considerations into the financing structure.</p>	<p>Firstly, EBRD involvement in the project ensures that the bond is structured as a Green Bond. Without EBRD involvement, the bond would have been issued as a regular bond, and was only re-structured as a Green Bond by ONCF with EBRD encouragement. Secondly, EBRD involvement in the Project is intended to result in the development of an SLL Framework, which will enable the client to develop other green innovative financing instruments in the future. ONCF is keen on developing along the EBRD an innovative green finance product to finance its upcoming investment programme, with the aim to integrate climate, environmental and ESG risk considerations. The SLL framework will also enable ONCF to establish and set ambitious and material sustainability issuer level targets.</p>
<p><b>Standard-setting: helping projects and clients achieve higher standards</b> Client seeks/makes use of EBRD expertise on higher financial standards, including through financial covenants.</p>	<p>As a part of the Project, EBRD will provide technical commitment funding to ONCF to support its transition to International Financial Reporting Standards (IFRS) methodology for its financial statement reporting. This will enable its financial reporting to reach the highest international standards and will simplify reporting and monitoring requirements. EBRD involvement and technical commitment support will be a key driver of ONCF’s adoption of IFRS.</p>

#### 1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Phosphate Transport Concentration Risk	Low/Medium	Phosphate transport has historically represented a significant revenue stream for ONCF (accounting for 27% of consolidated revenues between 2019-2023). [REDACTED].
Guarantor Risk	Low/Medium	Tamwilcom is a state-owned limited liability company, which will issue a guarantee under the new mechanism, rather than Ministry of Economy and Finance (“MEF”) directly issuing a guarantee to lenders. [REDACTED].
Energy Price Risk	Low/Low	Energy consumption relating to ONCF’s rail activity represents an estimated 15% of total operating expenses on average. [REDACTED].
Regulatory risk	Low/Low	ONCF’s profitability is impacted by its significant past investments and accompanying debt burden. [REDACTED].

[REDACTED]. In addition, ONCF has a creditworthy track record as a frequent issuer in the local market underpinned as well by the State’s support. This is especially the case in light of the strategic and systemic importance of ONCF as a flagship SoE in Morocco and in Africa; as well as the strategic role Moroccan rail network plays in the country’s economy.

## 2. MEASURING / MONITORING SUCCESS

### Transition Impact Monitoring Indicators

#### TI indicator(s), primary Quality: Resilient

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Volume of new capital market activity raised	Successful issuance of the Green Bond. Indicator represents value of funds raised for ONCF via total bond issuance, in EUR-equivalent.	[REDACTED]	[REDACTED]	[REDACTED]

1.2	Share of non-IFI/non-DFI institutional investors in capital market instrument or equity fund at the issuance	Share of private/non-IFI or DFI participants in the issuance [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]
-----	--	--	------------	------------	------------

**TI indicator(s), secondary Quality: Green**

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	Practices of the relevant stakeholder improved (innovative green business model)	ONCF, with support from EBRD, will develop an SLL framework to support the issuance of future green financial products. This indicator measures completion of the SLL framework.	No	Yes	[REDACTED]
2.2	New or updated GET technology or product leading to pollution prevention control introduced	The use of proceeds will be for the refinancing of two projects whose local commercial debt are linked to ONCF's Investment Programme, which are a series of low-carbon rail projects. The projects support a modal shift from more carbon-intensive transport alternatives, and reduce emissions via the electrification of lines, powered by renewable energy procured by ONCF for the express purpose of powering the locomotives. Accordingly, 90% of trains have been running on renewable energy as of 2023. Thus, the Green Bond supports the reduction and prevention of pollution. Similar or increased use of the assets linked to Tranche A use of proceeds, i.e. the two ONCF projects to be refinanced by EBRD (Casablanca-Kenitra capacity increase, and the acquisition and upgrade of electrified rolling stock) under the Investment Programme	No	Yes	[REDACTED]

		will be considered as meeting the target for this indicator.			
--	--	--	--	--	--

### 3. KEY PARTIES

#### 3.1 BORROWER / ISSUER

ONCF, Morocco's national railway operator, is a fully state-owned entity organised as a public establishment with industrial and commercial nature, active in three transport market segments: (i) phosphate rock transport carried out for the State-owned Office Chérifien des Phosphates (OCP), (ii) general freight transport and (iii) intercity passenger transport. The Client is responsible for building and maintaining the rail infrastructure and operating train services. ONCF is the network owner and operator for the Moroccan railway sector. Based on audited financials of YE2023, ONCF's revenues stood at EUR 414mn with an EBITDA of EUR 154mn. ONCF operates an asset base totalling EUR 6.6bn.

ONCF was created in 1963 to manage the existing network and railway services formerly operated by three private foreign-owned concession companies. ONCF operates under the authority of the Ministry of Transport and Logistics ("MTL"). The ONCF is administered by a Board of Directors, chaired by the Minister and the General Manager appointed by Dahir (Royal Decree).

In 2005, the law 52-03 was adopted to (i) define a national railway network that is within the public domain, (ii) open railway activities to competition, and (iii) change the legal form of ONCF to a joint-stock company. Regarding the latter, ONCF has launched institutional studies to define the most appropriate scheme for its activity and its development prospects due to general legal uncertainties for its transformation. [REDACTED].

ONCF has invested substantially in the network and rolling stock, investing approximately EUR 4.6 billion in the period 2005-2015 and overseeing a significant increase in passenger and freight traffic. Continuing its energy transition, initiated in January 2022 with 25% of its trains running on wind energy, ONCF strengthened the use of its clean energy in electric traction during 2023, with 90% of its electric trains running on green energy. Similarly, all freight trains serving the Tanger-Med port are also powered by clean energy, and the high-speed Al-Boraq line is fully powered by wind energy.

#### 3.2 GUARANTOR

The SNGFE is a limited liability company with a Board of Directors (*société anonyme à Conseil d'administration*) incorporated under the laws of Morocco and governed by the LLC Law [REDACTED]. The share capital of SNGFE is fully owned by the State. The SNGFE was born from the transformation of the *Caisse Centrale de Garantie*, a public establishment, into a *société anonyme* (a limited liability company or LLC) by virtue of the law n° 36-20.

The SNGFE is administered by a Board of Directors composed, in addition to the Chairman of the Board of Directors, of nine directors: four representatives of the governmental authorities (in charge of finance, industry and agriculture), one representative of the General Confederation of Moroccan Enterprises, one representative of the Professional Association of Moroccan Banks and three independent directors. The Chairman of the Board of Directors is the Minister of Economy and Finance.

SNGFE provides the financial sector with a wide and diversified product offer that meets the needs expressed by SMEs throughout their life cycle. Its intervention in favour of companies is carried-out through guarantees, co-financing, equity and quasi equity instruments.

SOEs have issued a number of bonds and loans covered by CCG and Tamwilcom [REDACTED].

## 4. MARKET CONTEXT

### *Morocco Rail Market Overview*

ONCF currently holds the monopoly of the railway sector in Morocco as both owner and operator of the railways and the rolling stock. The overall available railway infrastructure in Morocco is composed of:

- Length of tracks: 3,842 Kms
- Length of lines: 2,295 Kms (64% of which are electrified)
- Number of stations: 137
- Locomotives and trainsets: 264
- Passenger coaches: c.400
- Freight wagons: c.5,000
- Maintenance centres: 18

### **Passenger Transport**

With 53 million passengers transported in 2023 by ONCF (+15% vs 2022), the Moroccan railway sector confirms its resilience given the strong rebound post covid as well as the high potential of the sector as one of the primary transport modes of Moroccans across the Kingdom.

ONCF's have been continuously evolving to become the national mobility leader in Morocco. In 2018, the passenger business underwent major upheaval with the aim of ensuring quality customer service by: 1. welcoming customers in functional and multi-service railway complexes instead of conventional stations 2. transporting them on board comfortable, clean, frequent and increasingly punctual trains 3. offering flexible tariffs adapted to their travel habits, 4. responding to their new mobility needs by integrating digital technology along their journeys.

In order to achieve these objectives, the ONCF's railway strategy focuses on the following:

- An optimized transport plan including extensive and flexible tariffs depending on off-peak or peak hours, timing of trains, reduction of connection times, etc;

- A tariff list adapted to the purchasing power and travel habits of commuters;
- A quality of service in continuous improvement: cleanliness on board and on the ground, comfort on board (air conditioning, sound system, sanitary facilities, etc.), punctuality of trains, etc.; and
- Innovative services, increasingly digital-based: e-travel merchant site, mobile applications, etc.

ONCF's passenger transport activity over from 2023- 2021 is shown below.

<b>Passenger Transport</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Change 2023/2022</b>
Number of Passengers (millions)	34.4	45.9	52.9	15%
Passenger KM (millions)	4,463	6,012	6,879	14%
Turnover (MAD millions)	1,546	2,200	2,557	16%
Turnover (EUR millions equiv.)	148	211	245	16%

Al Boraq trains transported 9.7% of passengers using the transport rail and contributed 27.4% to passenger revenue in Morocco in 2023.

### **Freight Transport & Logistics**

With nearly 17 million tonnes of goods transported in 2023 (of which 50% are phosphate related goods), the rail mode of transport plays a significant role in the local freight and logistics market. The ONCF thus consolidates its position as a leader in freight transport in Morocco within its strategic vision as an integrated operator offering logistics solutions and offering value added services to its customers. The objective is to fully integrate the supply chain in order to ensure offers a one-stop-shop logistics solution. ONCF's Freight and Logistics Division provides its partners with specific solutions allowing them to optimize their supply chains, which also integrate the transport, high value-added services.

ONCF's freight transport activity from 2021 – 2023 is shown in the table below.

<b>Freight Transport</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Change 2022/2023</b>
Volume (million tons)	25.4	20.8	17.2	-17%
<i>Of which is phosphate</i>	<i>35%</i>	<i>44%</i>	<i>49%</i>	-
Turnover (MAD millions)	1,853	1,703	1,529	-10%
Turnover (EUR millions equiv.)	178	164	147	-10%
<i>Of which is phosphate</i>	<i>71%</i>	<i>63%</i>	<i>58%</i>	-

### ***Morocco Rail Market dynamics:***

- *Competition:* ONCF remains highly competitive within the inter-city transport segment compared to buses or private cars thanks to its affordability, reliability and the wide coverage in addition to the high-quality trains. With the projected growth in the number of transport users in the Kingdom, ONCF should still have higher demand on its services especially the high-speed trains consolidating its competitive positioning.
- *Threat of new entrants:* the sector remains capital heavy hence the risk of new entrants remains low. The monopoly status of ONCF also poses barriers for new operators.

PUBLIC

- *Subsidies:* the Government of the Kingdom of Morocco primarily supports ONCF at debt repayment level rather than the operations level.

PUBLIC



## **5. FINANCIAL / ECONOMIC ANALYSIS**

### **5.1 FINANCIAL PROJECTIONS** [REDACTED]

### **5.2 EXIT STRATEGY** [REDACTED]

### **5.3 SENSITIVITY ANALYSIS** [REDACTED]

### **5.4 PROJECTED PROFITABILITY FOR THE BANK** [REDACTED]

## 6. OTHER KEY CONSIDERATIONS

### 6.1 ENVIRONMENT

Categorised B (ESP 2019) [REDACTED]. The Project is a second Green Bond with ONCF. The Bank's in-house due diligence has been based on publicly available information, review of the past reports under Project Greenwich and additional documentation provided by the Company. The use of proceeds involves no new CAPEX and is focused exclusively on refinancing of the previous investments into upgrading several parts of Morocco's railway infrastructure and rolling stock in 2010-2019. The associated works have already been fully completed, and overall ONCF's practices are in compliance with the national regulations. The ONCF Green Bond Framework 2025 is in line with ICMA's Green Bond Principles and it meets the Land Transport Criteria in the Climate Bonds Certification Pre-Issuance Requirements of the Climate Bonds Standard (CBS), as verified independently by Second Party Opinion (SPO) from Sustainalytics. ONCF has corporate management systems in place for environmental management in line with ISO 14001 and for energy efficiency in line with ISO 50001, and it is working towards gradual greening and decarbonisation, with voluntary initiatives to support the company in its eco-friendly vision. The Client also has a CSR strategy and is proactively aligning their practices with ESG requirements. The Company will have to continue to further improve its institutional capacity and corporate-level E&S management systems, in particular the Occupational Health and Safety Management System in line with the good international practice and the Bank's PRs. The existing Environmental and Social Action Plan (ESAP) has been further updated and will be added to the Framework Agreement to be signed with the Company shortly before subscription. The Bank will require the Company to continue to comply with the PRs, and the EBRD proceeds will not be used for any new high-risk or Category A projects in line with EBRD's ESP. The Bank will monitor the Company's performance through reviewing annual reports prepared by the Company.

### 6.2 INTEGRITY

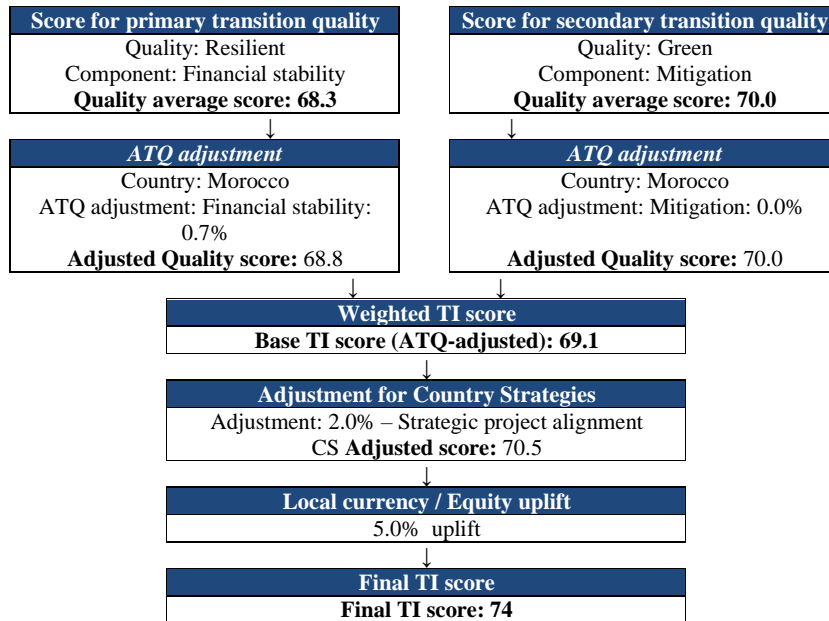
In conjunction with OCCO, updated Integrity due diligence was undertaken on the Company, its shareholders, senior management and other relevant parties. [REDACTED]

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the project, and the project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the project.

**ANNEXES TO OPERATION REPORT**

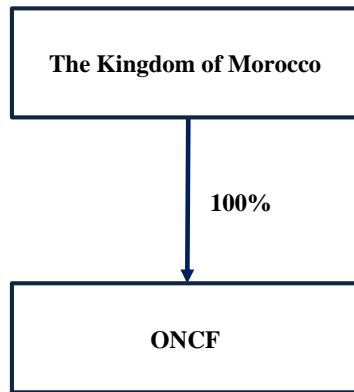
ANNEX I	Transition Impact Scoring Chart
ANNEX II	Shareholding Structure
ANNEX III	Investment program and debt breakdown
ANNEX IV	Financial Statements
ANNEX V	Green Assessments
ANNEX VI	Description of the Tamwilcom Guarantee Mechanism
ANNEX VII	Procurement Annex

## ANNEX I - TRANSITION IMPACT SCORING CHART



PUBLIC

## ANNEX II - SHAREHOLDING STRUCTURE



PUBLIC

### ANNEX III – INVESTMENT PROGRAM AND DEBT BREAKDOWN

**Projects to be re-financed through EBRD Use of Proceeds:**

*Note: The [REDACTED] commercial debt linked to these projects will be funded via EBRD use of proceeds.*

Projects	Project Description
<b>Capacity Increase Casablanca - Kénitra</b>	This project involves the doubling and tripling of fully electrified freight and passengers' lines with the aim to increase rail capacity along the Casablanca-Kénitra corridor, thus promoting a shift from road to rail transport, which is more energy-efficient and emits less GHG. The addition of a third freight-dedicated track optimizes logistics, reduces road congestion, and enhances infrastructure safety and durability.
<b>Rolling Stock</b>	This project involves the acquisition and refurbishment of rolling stock to improve energy efficiency, lower GHG emissions, and provide enhanced passenger comfort. This project focuses on the purchase of only electric locomotives, passenger coaches, and freight wagons, as well as the modernization of the current fleet of electric trains. The modernization component mainly includes the renovation of passenger coaches, multiple-unit trains, and freight transport wagons, with exclusive focus on the electric fleet.

**Other projects included in the Investment Programme to be refinanced by the other tranches of the bond issuance:**

Projects	Project Description
<b>Upgrade of Sidi Kacem - Tangier Line</b>	This project involves the modernization of infrastructure and signalling systems with the installation of the European Rail Traffic Management System ("ERTMS") enabling optimized train traffic management, reduced energy consumption, shorter travel times, and lower CO <sub>2</sub> emissions for the Sidi-Kacem – Tangier Line. Specifically, the ERTMS improves train speed management, reducing unnecessary acceleration, braking, and idling. Additionally, the introduction of a Global System for Mobile Communications (Railway) ("GSM-R") system enhances communication between trains and control centre, while the planned telecommunications installations enable smart technologies for real-time monitoring and predictive maintenance and the video surveillance ensures smoother operations and safety, thus preventing delays and reducing unnecessary energy usage.
<b>Safety Installations and Substations</b>	This project includes strengthening rail safety and modernizing substations, of which more than 90% are now powered by renewables (primarily wind) thus significantly reducing GHG emissions from rail operations. Safety installations include the construction of walls and barriers, the elimination of rail crossing points, and the reinforcement of track and train safety. The project aims to reduce accidents, prevent potential environmental damage, and improve rail transport efficiency, thus promoting long-term sustainability.
<b>Upgrade of Settât - Marrakech Line</b>	This project involves the doubling the railway track to relieve congestion, increase capacity, streamline traffic, and promote a modal shift from road to rail, thus contributing to CO <sub>2</sub> emission reductions and sustainable regional development. The line is entirely powered by wind energy and is specifically for intercity passenger transport between Settât and Marrakech.

<b>Tanger-Med Project</b>	This project involves the improvement of connectivity to the Tanger-Med port, strengthening freight transport capacity, reducing dependency on road transport, and optimizing the performance of the supply chain in a greener and more sustainable manner. It includes the construction of an electrified line of over 45km connecting the Tanger-Med port to the national railway network, without the additional acquisition of rolling stock. All lines are powered by wind energy.
---------------------------	---

[REDACTED]

PUBLIC

## **ANNEX IV – FINANCIAL STATEMENTS**

[REDACTED]

PUBLIC



## ANNEX V – GREEN ASSESSMENT

### SUMMARY

- ONCF intends to issue a 15-year local currency Green Bond for an EUR-equivalent amount of EUR 187 million (MAD 2 billion). The EBRD will aim to participate for an EUR-equivalent amount of EUR 38.4 million (MAD 400 million).
- The Green Bond will be used to refinance four sub-projects:
  - Project 1: Upgrade of Settat-Marrakech Lines: Operation of Electrified Railway Lines
  - Project 2: Rolling Stock: Acquisition and Upgrade of Electrified Rolling Stock
  - Project 3: Capacity Increase for Casablanca and Tanger-Med: Construction of Railway Networks
  - Project 4: Upgrade of Sidi Kacem-Tangier Lines: Safety Installations and Substations
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement**.
- The Project is attributed 100% **GET**.
- [REDACTED].

### PARIS ALIGNMENT ASSESSMENT

The project is assessed in line with the Direct Finance methodology, as the use of proceeds of the Bond are known.

#### *Alignment with the mitigation goals of Paris Agreement*

- The use of proceeds encompasses the refinancing of four projects under the categories “Electric passenger or freight transport” and “Rail infrastructure”, both under the automatically PA aligned list.

*Conclusion: The project is assessed as aligned with the mitigation goals of the Paris Agreement (BB1 aligned).*

#### *Alignment with the adaptation goals of Paris Agreement*

- The projects refinanced by the Green Bond are already constructed so even if some are vulnerable to climate risk it is not possible to change the design at this stage. However, ONCF has taken steps to integrate climate adaptation in their design, operations and maintenance practices. In October 2024, EIB and ONCF signed a technical assistance arrangement to adapt railways to climate change, consisting of a 24-month partnership including detailed mapping of climate risks, vulnerability analyses and technical recommendations.
- The projects to be refinanced are not inconsistent with national policies for adaptation or negatively impacting the climate resilience of the relevant wider system

*Conclusion: The project is assessed as aligned with the adaptation goals of Paris Agreement (BB2 aligned).*

### GET ATTRIBUTION

GET Handbook Annex A.5.9.1. on Green bonds and sustainability bonds has been applied to assess the Green Bond issuance by the ONCF, as well as determine the GET eligibility and allocation. The Green Bond will be issued fully in line to ICMA Green Bond Principles (GBP), to be confirmed by an independent external reviewer (SPO by Morningstar Sustainalytics)<sup>3</sup>. In addition, the EBRD has reviewed the available information and deems that the Green Bond issuance is in alignment with the ICMA GBPs, and is 100% GET eligible.

<sup>3</sup> A final SPO satisfactory to the Bank will be required prior to subscription.

The proceeds of the Bond will be used to refinance existing debt for Eligible Green Projects in ICMA “Clean Transportation” green eligible category, fully electrified rail infrastructure (ICMA Green Bond Principles) as defined in ONCF's Green Bond Framework (December 2024). Where possible, Eligible Projects and Assets will be certified according to the [Land Transport Criteria](#) of the [Climate Bonds Standard](#). Eligible Projects and Assets include (i) **Fully electrified public transport infrastructure**, (ii) **Fully electrified freight transport infrastructure**, (iii) **Rail transport rolling stock**, (iv) **Supporting Infrastructure for low-carbon transport**.

The projects included in the Investment Programme use of proceeds are:

- **Project 1: Upgrade of Settât-Marrakech Lines: Operation of Electrified Railway Lines**

This project involves the operation of fully electrified lines dedicated to electric trains which are powered by wind energy. The lines are specifically for intercity passenger transport between Settât and Marrakech.

- **Project 2: Rolling Stock: Acquisition and Upgrade of Electrified Rolling Stock**

This project focuses on the purchase of electric locomotives, passenger coaches, and freight wagons, as well as the modernization of the current fleet of electric trains. The modernization component mainly includes the renovation of passenger coaches, multiple-unit trains, and freight transport wagons, with exclusive focus on the electric fleet.

- **Project 3: Capacity Increase for Casablanca – Kenitra line and the Tanger-Med port line: Construction of Railway Networks**

This project involves the doubling and tripling of fully-electrified lines for freight and passenger transport. With respect to Tanger-Med, it includes the construction of an electrified line of over 45km connecting the Tanger-Med port to the national railway network, without the additional acquisition of rolling stock. All lines are powered by wind energy. For freight transport, the line is fully-electrified, and no proportion of a vehicle or cargo fleet consists of fossil fuels (this holds for all projects financed under this debt instrument). The project thus includes the construction of the railway line and associated facilities (electricity distribution, tracks, overhead lines, signalling) and the electrification of the entire line, including for passenger transport.

- **Project 4: Upgrade of Sidi Kacem-Tangier Lines: Safety Installations and Substations**

This project involves installing an ERTMS-type speed control system, implementing a GSM-R system, a new telecommunications infrastructure, and a video surveillance system, while aiming to reduce the risk of accidents by enhancing safety at road-rail interfaces. The ERTMS, GSM-R and surveillance systems ultimately reduce energy usage and improve operations, as described under Project 4. Safety installations include the construction of walls and barriers, the elimination of the rail crossings points, and the reinforcement of track and train security. The project will reduce accidents, preventing potential environmental damage, improve rail transport efficiency, and result in fewer resources spent on repairs, promoting long-term sustainability.

**Projects to be re-financed through Tranche A, to which EBRD will participate:**

Projects	Project Description
<b>Capacity Increase Casablanca - Kénitra</b>	This project involves the doubling and tripling of fully electrified freight and passengers' lines with the aim to increase rail capacity along the Casablanca-Kénitra corridor, thus promoting a shift from road to rail transport, which is more energy-efficient and emits less GHG. The addition of a third freight-dedicated track optimizes logistics, reduces road congestion, and enhances infrastructure safety and durability.
<b>Rolling Stock</b>	This project involves the acquisition and refurbishment of rolling stock to improve energy efficiency, lower GHG emissions, and provide enhanced passenger comfort. This project focuses on the purchase of only electric locomotives, passenger coaches, and freight wagons, as well as the modernization of the current fleet of electric trains. The modernization component mainly includes the renovation of passenger coaches, multiple-unit trains, and freight transport wagons, with exclusive focus on the electric fleet.

[REDACTED]. The ICMA Green Bond Principles (GBP) emphasize that the proceeds from green bonds should be used for financing or refinancing projects that have clear environmental benefits. The bond's eligibility largely depends on how it supports green objectives, such as reducing carbon emissions, promoting energy efficiency, or improving environmental sustainability. According to the ICMA guidelines, the refinancing of assets is acceptable as long as the financed activities continue to align with green criteria and environmental objectives. In this specific case:

- **The projects are still in use and continue to deliver measurable and meaningful environmental benefits.** Rail infrastructure projects have a long lifespan and the projects refinanced by this bond generate environmental and climate benefits that extend well beyond the maturity of the Bond (2040).
- **The Green Bond supports the ongoing environmental objectives of ONCF and a clear investment plan spanning several decades.** The Bond issuance is part of a more comprehensive balance sheet restructuring that aims to give ONCF a solid foundation to deliver on its ambitious green investment programme. Specifically, it will enable ONCF to launch the new expansion of its high-speed rail network that will be completed by 2023-2040, which will require substantial capital investment. The refinancing of the existing debt is part of the overall financing strategy and green bond offers an adequate means to achieve the full financing of those green projects. The use of green bonds will enable refinancing existing banking debt and attract new private investors to the financing of the electrification of the railway network.
- Further, **as part of the transaction ONCF will commit to develop a Sustainability-Linked Loan Framework** strengthening the company-wide transition to decarbonisation and enabling the issuer to access a wider range of sustainable financing product
- **ONCF ensures transparency and follows the principles of the ICMA GBP in terms of use of proceeds allocation, lookback period, impact reporting, and ongoing environmental performance.** ONCF will report on its CO<sub>2</sub> performance of the Bond as well as part of its wider operations. The reporting of the existing Green bond fulfilled those commitments.

Given the above, in this specific context the longer than typical lookback period is deemed acceptable and in line with the GBP. [REDACTED].

Commented [HL1]: REDACTED as based on confidential information provided for the purpose of EBRD assessment

PUBLIC

**ANNEX VI – DESCRIPTION OF THE TAMWILCOM  
GUARANTEE MECHANISM**

[REDACTED]

PUBLIC

PUBLIC

## **ANNEX VII – PROCUREMENT ANNEX**

There is no procurement to be processed under the proceeds of the loan as the Project entails the refinancing of commercial debt. Hence, the Procurement Annex is not required.

PUBLIC