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

Approved by the Board of Directors on 20 July 2022[1]

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]

[1] 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.

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ABBREVIATIONS / CURRENCY CONVERSIONS

ADM	The Société Nationale des Autoroutes du Maroc
AFD	French Development Agency or Agence Française de Développement
AMMC	Autorité Marocaine du Marché des Capitaux
AMI	Annual Mobilised Investment
ANP	Agence Nationale des Ports
Capex	Capital Expenditures
CCG	Caisse Centrale de Garantie
CSR	Corporate Social Responsibility
DSCR	Debt Service Coverage Ratio
EBITDA	Earnings Before Interest Taxes, Depreciation and Amortization
EBRD	European Bank for Reconstruction and Development
EE	Energy Efficiency
EIB	European Investment Bank
EIRR	Economic Internal Rate of Return
E&S	Environmental and Social
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
EUR	Euro
FGEEP	Guarantee Fund of Public Establishments and Enterprises
FY	Fiscal Year
GDP	Gross Domestic Product
GET	Green Economy Transition
GHG	Greenhouse Gasses
ICMA	The International Capital Markets Association
IFI	International Financial Institution
IRR	Internal Rate of Return
ISO	International Organization for Standardization
MAD	Moroccan Dinar
MEI	Municipal and Environmental Infrastructure
MOP	Main Operating Party
MOU	Memorandum of Understanding
MTL	Ministry of Transport and Logistics
NWM	Port Nador West Med
OCP	Office Chérifien des Phosphates
ONCF	Office National des Chemins de Fer
ONDA	Office National Des Aéroports
PA	Paris Aligned
PEPs	Politically Exposed Person(s)
PP&R	Procurement Policies & Rules
PPAD	Procurement Policy and Advisory Department
PR	Performance Requirements
PV	Photovoltaic
RC	Required Capital
SNGFE	Société Nationale de Garantie et du Financement de l'Entreprise or Tamwilcom
SOE	State-owned Enterprise
SPO	Second Party Opinion
TC	Technical Co-operation
VAT	Value-added Tax
YE	Year End

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of the Office National des Chemins de Fer (**"ONCF" or "the Issuer"**), a public establishment established in Morocco, are submitted for consideration by the Board of Directors.

The transaction entails the Bank's subscription to a local currency green bond issued by the Issuer in the amount of up to MAD 200m (circa EUR 19.2m). The total bond issuance will be for an amount of up to MAD 1 billion (circa EUR 95m) through a public placement. The bond will be guaranteed by the Société Nationale de Garantie et du Financement de l'Entreprise (**"SNGFE")** and known by its trade name of Tamwilcom, a state-owned guarantee provider in Morocco.

The operation will enable ONCF to refinance existing debt taken on to complete the financing of a new electrified high-speed rail line in Morocco. The expected transition impact of the project is **Resilient** as it contributes to overall capital market development in Morocco through supporting an innovative instrument, namely the first Green Bond in Morocco in the infrastructure sector, which will be in line with Low Carbon Land Transport Criteria of the Climate Bonds Standard and will receive a Second Party Opinion ("SPO"). The Project will also support the **Green** transition quality as it entails the refinancing of debt for the construction of a new electrified rail line via a green bond and is 100% GET eligible.

I am satisfied that the operation is consistent with the Bank's Strategy for Morocco, Transport Sector Strategy, the 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 – Project Greenwich - DTM 53863	
Transaction / Board Decision	Board approval[2] is sought for an investment of up to MAD 200m (EUR 19.2m) in favour of Office National des Chemins de Fer ("ONCF"). The investment will entail the subscription to a local currency senior secured bond for up to MAD 1 billion (EUR 95 million equivalent) through public placement. Other investors are expected [REDACTED]. The bond will be guaranteed by the Société Nationale de Garantie et du Financement de l'Entreprise ("SNGFE" /Tamwilcom), will be aligned with the guidelines of the local capital markets regulator and Low Carbon Land Transport Criteria of the Climate Bonds Standard as verified by a SPO. The proceeds will be used to refinance debt used to finance the electrified high-speed rail line linking Tangiers to Casablanca ("Al Boraq").
Client	The Borrower is ONCF, Morocco's national railway operator, which is a fully state-owned entity organised as a public establishment with industrial and commercial nature. ONCF is the network owner and operator for the Moroccan railway sector. [REDACTED].
Main Elements of the Proposal	<u>Transition impact:</u> The Project's primary transition quality is Resilient as it contributes to overall capital market development through supporting the first Green Bond in Morocco in the infrastructure sector, which will be in line with Low Carbon Land Transport Criteria of the Climate Bonds Standard and will receive a SPO and will have an important demonstration effect as it would incentivise corporates to broaden the type of capital market products. [REDACTED] [P]rivate non-IFI investors [are] expected [REDACTED]. The Project will also support the Green transition quality as it entails the refinancing of debt for the construction of a new high-speed electrified passenger rail line via a green bond and is 100% GET eligible. <u>Additionality:</u> The Bank's financing is expected to 'close the funding gap' and allows for carrying out a successful book-building process. EBRD's involvement will help to trigger enhanced practices at the level of the bond market through green bond issuance in line with Low Carbon Land Transport Criteria of the Climate Bonds Standard. In addition, the Bank will develop an ESAP, which will require the client to comply with certain standards after subscription. <u>Sound banking:</u> Guarantee provided by state-owned entity Tamwilcom, which itself benefits from a state guarantee for its obligations.
Key Risks	1) <u>Traffic Volume Risk:</u> [REDACTED] 2) <u>Fuel Price Risk</u> [REDACED] 3) <u>Regulatory Risk:</u> [REDACTED] 4) <u>Guarantor Risk</u> [REDACTED].
Strategic Fit Summary	The proposed Project is in line with the Bank's Strategy for Morocco, the Green Economy Transition Approach 2021-2025, Transport Sector Strategy 2019-2024 and the Agreement Establishing the Bank.

[2] Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

Client	The Borrower is ONCF, Morocco's national railway operator, which is a fully state-owned entity organised as a public establishment with industrial and commercial nature. ONCF is the network owner and operator for the Moroccan railway sector. [REDACTED].
EBRD Transaction	Subscription to [REDACTED] local currency domestic senior guaranteed bond in Morocco for an amount of up to MAD 200 million (EUR 19.2m equivalent), representing up to 20% of the overall issuance. The overall bond issuance will be for up to MAD 1 billion (EUR 95 million equivalent) through public placement [REDACTED]. Other investors to include local institutional investors and mutual funds. This bond will not be rated, will be unlisted, and is expected to have fixed rate tranches. The bond, which will be guaranteed by Tamwilcom, a state-owned guarantee provider, will be aligned with the guidelines of the local capital markets regulator and Low Carbon Land Transport Criteria of the Climate Bonds Standard as verified via a SPO.
Existing Exposure	None to ONCF
Maturity	[REDACTED].
Potential AMI eligible financing	None
Use of Proceeds	The proceeds will be used to refinance debt used to finance the electrified high-speed passenger rail line linking Tangiers to Casablanca ("Al Boraq"), which entered into operations in 2018 (Annex 6). Al Boraq offers new electrified railway capacity, which significantly improves the current offering by connecting four Moroccan cities in 2h10 (vs. 5h Tangier – Casablanca regular train). As such, this new line drives modal shift from more carbon intensive transport alternatives (road and air transport) and allows for further economic integration of major industrial cities, leading to private sector development.
Investment Plan	N/A
Financing Plan	[REDACTED]
Key Parties Involved	**Borrower:** Office National des Chemins de Fer ("ONCF") **Guarantor:** SNGFE/Tamwilcom
Other Participants	Anticipated to be Moroccan Investors including mutual funds and asset managers
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	In line with Moroccan bond market precedents.
Security / Guarantees	Guarantee by the SNGFE/Tamwilcom
Other material agreements	[REDACTED]
Associated Donor Funded TC and co-investment grants/concessional finance	Not applicable

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Capital market innovation in the service of public sector reform:
State-owned enterprises are a vital element of the economic landscape in Morocco, playing a key role as constructors, funders and operators of infrastructure which is vital for economic development. In recent years, state-owned enterprises including ONCF (rail operator), ADM (motorway operator), ANP (National Ports Authority), Nador West Med and ONDA (airports authority) among others have invested heavily in the infrastructure of the country, including, in the case of ONCF, investment in the new high-speed rail line connecting Tangiers and Casablanca. These investments are vital for the overall development of the country's infrastructure, which is in turn fosters private sector development, and their continued operation, maintenance and expansion depend on the financial health of the relevant SOEs. In the case of the high-speed rail line in particular, this connection significantly improves the connectivity of two major economic hubs (Casablanca and Tangiers) by offering a journey time of only 2 hours 10 minutes versus nearly 4 hours by car and over 5 by conventional rail.

However, the financing and operational landscape of state-owned enterprises in Morocco has been heavily impacted by the pandemic, with numerous SOEs facing financial pressures due to revenue shortfalls and operational disruptions, and are facing further headwinds in the context of the current global uncertainty caused by the war in Ukraine.

In this light, and in order to increase the long-term sustainability of the state-owned enterprise sector, the Moroccan public authorities are engaged in a process of reform of state-owned enterprises in Morocco. This reform process is based on a number of pillars, including governance reforms and the anticipated creation of a new public sector agency dedicated to management of SOEs, and is being supported by the Bank notably through technical assistance covering the development of a State Ownership Policy, the implementation of which is underway.

A key pillar of the reforms is financial reform, encompassing a range of initiatives designed to enhance the financial performance and governance of SOEs. This has been applied in particular to ONCF, the publicly owned state rail operator. In the case of ONCF, successive substantial investment programmes, including the development of the new high speed rail line, have resulted in a high debt burden for ONCF, which impacts on its financial performance. In order to address this and to put ONCF on a more sustainable footing, a number of measures are being undertaken to amend ONCF's financial governance. These include in particular the signature of an MoU with the state which delineates the respective roles of the state and ONCF, and assigns to the state responsibility for debt incurred for network extension. Another key measure is a programme of debt optimisation at the level of ONCF in order to better match the maturity of its debts (some of which comprise short-term debts) with the long-term economic life of its assets. Finally ONCF is also benefitting from a new public sector mechanism for guaranteeing the debts of SOEs, delivered through a public sector guarantor entity known as Tamwilcom, which has been established for the purpose of centralising and managing guarantees issued by the state to SOEs.

ONCF is also embarking on a number of specific reforms covering other areas. [REDACTED]. ONCF has launched in the last years advanced institutional studies to define the most appropriate scheme for its activity and its development prospects. [REDACTED].

In this context, and to further diversify both its pool of funders and its range of financial instruments, ONCF is launching the first green bond in the infrastructure sector in Morocco, guaranteed by Tamwilcom. The use of proceeds will be for the refinancing of short-term debt from commercial banks that was used for the construction of the high-speed rail line. The client is expected to commit to green bond standard implementation as the bond will be issued in line with the Low Carbon Land Transport Criteria of the Climate Bonds Standard as verified by a Second Party Opinion, and is 100% GET eligible. The refinancing will relieve pressure on ONCF's cashflow in the short term and allow it to continue to make investments in its capital expenditure programme.

The project provides a strong fit with the Country Strategy theme of capital markets development, in particular the objective that, 'The Bank will seek to use and promote financing mechanisms not yet widely available in Morocco … with a view to broaden the financial instruments offer.' Green bonds are in their infancy in Morocco, with existing issues limited mostly to the financial sector. The present transaction will be the first green bond in the infrastructure sector in Morocco and will give a positive signal to the market regarding the relevance and applicability of green bonds in the sector. The Project is also in line with the Transport Sector Strategy 2019-2024 as the issuance of green bond will allow for the diversification of financial sources as "transport infrastructure in many economies where the Bank invests relies heavily on sovereign financing. Corporate and project financing needs are underdeveloped and the use of more sophisticated market instruments, bonds and equity listings, can be further developed."

1.2 TRANSITION IMPACT

The tables below set out the TI Objectives and details of the project.

Primary Quality: Resilient

Obj. No.	Objective	Details
1.1	*The transaction contributes significantly to capital market development by introducing a new instrument in local currency (debt instrument).*	The Project contributes to green and overall capital market development in Morocco through supporting an innovative instrument, namely the first Green Bond in Morocco in the infrastructure sector, which will be in line with Low Carbon Land Transport Criteria of the Climate Bonds Standard as verified by a SPO. The green bond will be issued in MAD with the proceeds of the bond going exclusively to refinance green projects including the Al Boraq high speed line.
1.2	*[REDACTED] [T]he issuance is expected to be placed with private non-IFI investors.*	Given the anticipated interest of local private investors to invest in the bond issue [REDACTED].
1.3	*The issuance will not be listed on a national nor international exchange nor rated.*	The bond will not be listed on a national/international exchange and is not subject to a rating requirement.

Secondary Quality: Green

Obj. No.	Objective	Details
2.1	*The percentage of EBRD use of proceeds that supports a green economy transition and therefore qualifies as GET finance is 15% or higher.*	The transaction entails the refinancing of debt for the construction of a new high-speed electrified passenger rail line via a green bond aligned with the Low Carbon Land Transport Criteria of the Climate Bonds Standard (as confirmed via a SPO), the transaction is 100% GET eligible.

Delivery Risks: The delivery risks relate to a lack of appetite from commercial investors in Morocco, leading to IFI or public sector dependence for the placement of the green bond. However, ONCF have a solid track record in placing bonds and the continued attractiveness of high speed rail as a low-carbon transport mode is critical. Other delivery risks relate to the high-speed rail not being adopted as a mode of transport in Morocco, hence jeopardizing the modal shift from more carbon intensive transport alternatives. Overall transport activity has been increasing since the end of the pandemic with passenger KMs on regular trains and high-speed train increasing by 54% and 98% in 2021 respectively. This was mainly driven by the State's policy to increase the capacity of the current rail network. The Al Boraq train significantly improves the current offering by connecting four Moroccan cities in 2h10 (vs. 5h Tangier – Casablanca regular train) and is expected to experience increased ridership in the coming years as mentioned in the TI monitoring benchmarks.

1.3 ADDITIONALITY

Identified triggers	**Description**
Refinancing: A significant share (at least 30%) of the project is for refinancing purposes.	*The debt being refinanced is in the form of short-term [REDACTED] commercial bank loans, which is not appropriate for financing of long-lived infrastructure assets. The refinancing is required in order to better match asset lives with funding structure.*
[REDACTED]	[REDACTED]

Additionality sources	
Financing Structure EBRD offers a **tenor**, which is above the market average and is necessary to structure the project.	*Capital market; EBRD financing is expected to effectively 'close the funding gap' and allows carrying out a successful book-building process.*
Policy, sector, institutional, or regulatory change EBRD's involvement is considered additional as it helps to trigger enhanced practices at the level of the bond market, through participation in a flagship green bond programme.	*EBRD's involvement is considered additional as it helps to trigger enhanced practices at the level of the bond market, through participation in a flagship green bond programme. In addition, the Bank will develop an ESAP, which will require the client to comply with certain standards after subscription. The bond will be in line with Low Carbon Land Transport Criteria of the Climate Bonds Standard and will receive a Second Party Opinion.*

1.4 SOUND BANKING - KEY RISKS

Risks	**Probability / Effect**	**Comments**
Traffic/Volume Risk [REDACTED]:	*Low/Medium*	[REDACTED]. ***Mitigant:*** ONCF [REDACTED] usually sign long-term contracts that provide some protection against volatility.
Guarantor Risk:	*Low/Medium*	Tamwilcom is a state-owned limited liability company, which would issue a guarantee under the new mechanism, rather than Ministry of Economy and Finance directly issuing a guarantee to Lenders. [REDACTED]. .
Fuel Price Risk:	*Low/Low*	[REDACTED]

Regulatory risk	*Low/Low*	ONCF's profitability is impacted by its [REDACTED] past investments and accompanying debt burden. [REDACTED]. ***Mitigant:*** The Moroccan state has exhibited strong support for ONCF [REDACTED].

[REDACTED]

2. MEASURING / MONITORING SUCCESS

TI indicator(s), primary Quality: Resilient

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Share of non-IFI/non-DFI institutional investors in capital market instrument or equity fund at the issuance	EBRD is expected to be the only DFI participating in this bond issuance with the remaining investors expected to include local institutional investors and mutual funds, therefore diversifying sources of funding and developing the local investor base. [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Volume of new capital market activity raised	This will be the first Green Bond in Morocco in the infrastructure sector, which will be in line with Low Carbon Land Transport Criteria of the Climate Bonds Standard and will receive a Second Party Opinion. The total bond amount is MAD 1 billion (EUR 95 million equivalent). [REDACTED] [P]rivate non-IFI investors [are] expected [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]

TI indicator(s), secondary Quality: Green

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	New or updated GET technology or product leading to pollution prevention control introduced	The issuance of the green bond will allow for refinancing debt used to construct the ("Al Boraq"), which offers new high-speed electrified passenger railway capacity. This improves the current offering by connecting four Moroccan cities in 2h10 (vs. 5h Tangier – Casablanca regular train). As such, this new line drives modal shift from more carbon intensive transport alternatives. Ridership is expected to increase on the high-speed rail [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER

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 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. [REDACTED].

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).

Legal Framework for Railway Activity
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.
In July 2019, ONCF and the State signed a MoU to agree on the guiding principles for the overhaul of the institutional set-up governing the railway sector and to specify the respective commitments of the stakeholders. [REDACTED].

ONCF has invested substantially in the network and rolling stock, investing about EUR 4.6 billion in the period 2005-2015 and overseeing a significant increase in passenger and freight traffic. ONCF has also invested in the new High-Speed Line (branded as Al Boraq) which links Tangier to Casablanca. As of 1 January 2022, Al Boraq is powered with renewable energy, and ONCF's overall energy consumption is 25% renewable, with a target to reach 50% green energy by 2023.

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.

SNGFE is a key part of the Moroccan financial system, providing the financial sector with a wide and diversified product offer to promote financing of SMEs, SOEs and private individuals. Its intervention in favour of companies is carried-out through guarantees, co-financing, equity and quasi equity instruments. [REDACTED].

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

4. MARKET CONTEXT

Morocco Bond Market Overview

Morocco has a small and illiquid bond market dominated by financial institutions and state-owned companies, perceived as low-risk. In 2020-2021, the attractive bond market conditions - allowing companies to optimise financing costs by taking advantage of the interbank base rate decrease of 50 bps - provided the issuers with more favourable borrowing terms encouraging the shift from the loan to the bond market. However, the number of issuers remain small. Local bonds are usually not rated by credit rating agencies. [REDACTED] and a restrictive FX environment [REDACTED]. Key features of bonds include listed and non-listed tranches, fixed or floating interest rates with a coupon paid annually. The bond market is dominated by Moroccan institutional investors, estimated to represent c. 90% of all bond holdings. Bond investors also tend to be "buy and hold" investors as the secondary market is even smaller than in the government securities market. The mutual fund industry is the largest investor of this asset class with c. 60%. Non-government debt securities represent c. 30% of their assets under management, based on a combination of corporate bonds and commercial papers.

Insurance companies invest regularly in the local bond market. Pension funds focus on bonds with maturities between seven and ten years, although their portfolios include assets of various maturities. Retail investors are virtually absent from the local bond market, they are likely to invest in bonds through investments in mutual funds. Foreign investor participation is negligible and is more likely to focus on more liquid government securities.

Investors have a preference for non-listed bonds with fixed interest rates, representing more than 50% of the issued corporate bonds. In recent years, the AMMC has developed regulations to encourage the issuance of green and social bonds but issuance in the market has been limited.

Morocco Rail Market Overview

<u>Passenger Transport</u>

With 38.3 million passengers transported in 2019, ONCF captures 7% of the national transport market (i.e. all modes combined: private cars, public transport). Its clientele consists mainly of 4 segments classified according to the reason for travel (i.e. leisure, business, commuters and tourism). [REDACTED].

ONCF's ambition is to reinvent itself 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 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, et.;
- 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.;
- Innovative services, increasingly digital-based: e-travel merchant site, mobile applications, etc.; [REDACTED].

Freight Transport & Logistics

[REDACTED]. The ONCF thus consolidates its position as a leader in freight transport in Morocco, which fits its strategic vision as a global and 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. [REDACTED].

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS

[REDACTED]

5.2 EXIT STRATEGY

[REDACTED]

5.3 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT AND SOCIAL

Categorised B (ESP 2019). The Project is a capital markets transaction (Green Bond). The Bank's in-house due diligence was based on publicly available information and review of the corporate ESDD questionnaire and additional documentation provided by the Company. The available information allowed for an assessment of the ONCF's E&S capacity and environmental and social risks of this Project in accordance with the Bank's 2019 ESP Performance Requirements (PRs). The use of proceeds is focused exclusively on refinancing of the previous investments into Al Boraq high-speed train and will explicitly exclude any new high-risk or category A projects. The ONCF Green Bond Framework is in line with the requirements of the Low Carbon Land Transport Criteria of the Climate Bonds Standard (CBS)[3], as verified independently by a SPO. The Project supports Paris Agreement goals for mitigation based on meeting the CBS criteria.

The ESDD has reviewed the status of compliance and the Company's approach to environmental and social governance (ESG) principles and E&S capacity to implement the Bank's PRs and focussed on a corporate-level review of the Company's management systems, ONCF's sustainability strategy and decarbonisation plans, and its current compliance status. 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. ONCF needs to further develop its occupational health and safety and labour

[3] Climate Bonds Standard, "Low Carbon Land Transport Criteria under the Climate Bonds Standard", (2019), at: https://www.climatebonds.net/files/files/CBI%20Transport%20Criteria%20document_Apr2021.pdf

management systems in line with good international practice to meet EBRD PRs. A desk top review of the E&S risks associated with the operation of the high speed train route has also been carried out to understand whether E&S issues are adequately managed.

[REDACTED]. The ESAP has been developed based of the findings of the ESDD and includes requirements relating principally to corporate-level management systems given the non-project nature of the Bank's financing. After subscription, the Bank will require the Company 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 E&S Policy 2019. The Bank will monitor the Company's performance through reviewing annual reports prepared by the Company and published on its website.

6.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was undertaken on Office National des Chemins de Fer (ONCF), its senior management, the bond arranger, related consultants and other relevant parties. Other bond investors are expected to include reputable local institutional investors and mutual funds. The review [REDACTED] concluded that this project does not present unacceptable integrity or reputational risks to the Bank. [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 1	Transition Impact Scoring Chart
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ANNEX 1- TRANSITION IMPACT SCORING CHART

Score for primary transition quality

Quality: Resilient

Component: Financial stability

Quality average score: 65.0

ATQ adjustment

Country: Morocco

ATQ adjustment: Financial stability: -3.7%

Adjusted Quality score: 62.6

Score for secondary transition quality

Quality: Green

Component: Mitigation

Quality average score: 60.0

ATQ adjustment

Country: Morocco

ATQ adjustment: Mitigation: 0.0%

Adjusted Quality score: 60.0

Weighted TI score*

Base TI score (ATQ-adjusted): 61.9

Adjustment for Country Strategies

Adjustment: 2.0% – Strategic project alignment

CS **Adjusted score:** 63.1

Local currency / Equity uplift**

5.0% uplift

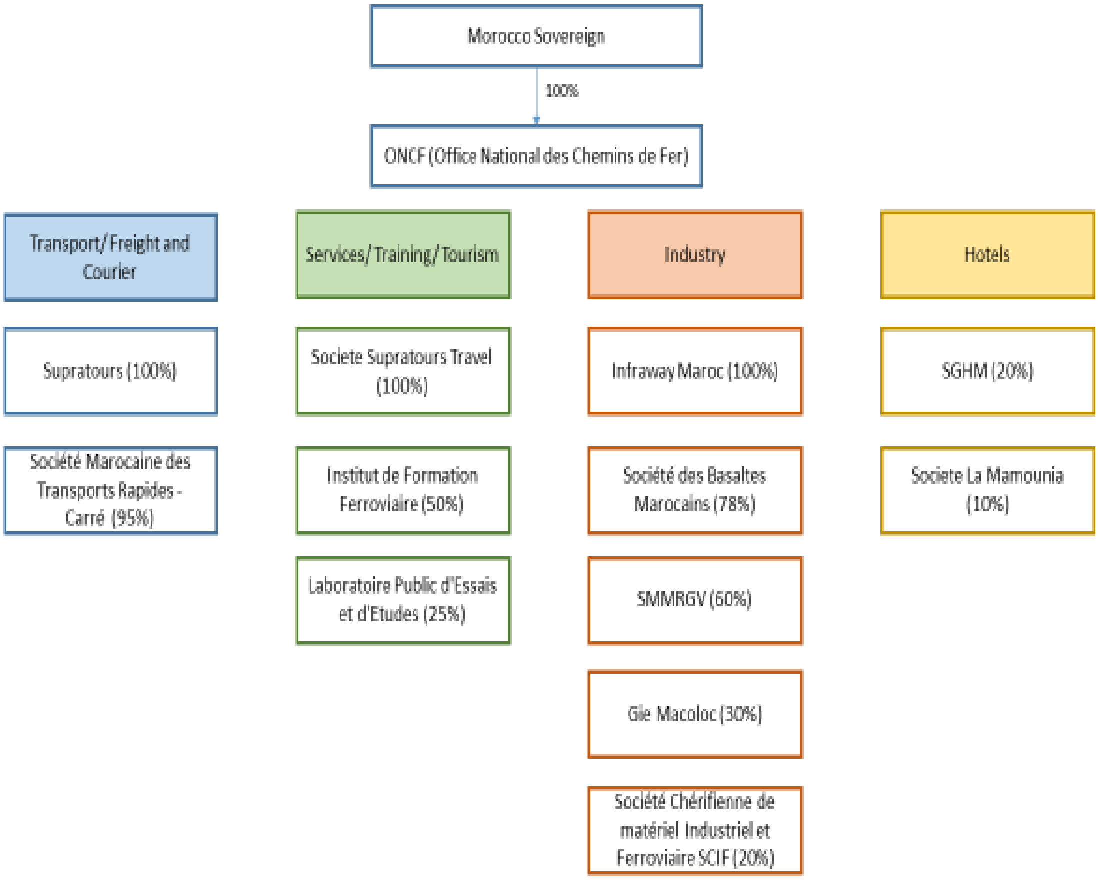
Final TI score

Final TI score: 66

***The Primary Quality score is weighted 75% for the calculation of the Base TI Score. The Secondary Quality is weighted 25%.

** Please remove this box if the financing uplifts are not applicable.

ANNEX 2 – SHAREHOLDING STRUCTURE



ANNEX 3 – FINANCIAL STATEMENTS

[REDACTED]

ANNEX 4 – GREEN ASSESSMENTS

Introduction

The proceeds of the green bond are for refinancing existing debt associated with the construction of the Al Boraq high-speed train. The train is a fully electrified passenger train. The bond will be aligned with the guidelines of the local capital markets regulator and Low Carbon Land Transport Criteria of the Climate Bonds Standard, and verified as a green bond by a SPO. The Project is attributed as 100% GET. [REDACTED]. The underlying asset being refinanced is a high speed electrified passenger rail line that meets the criteria for substantial contribution under EU taxonomy for sustainable finance, it would in any case be considered as aligned for BB1 (mitigation). [REDACTED].

Paris alignment assessment

The use of proceeds of the Green Bond are associated with refinancing of the existing Al Boraq high-speed train. [REDACTED]. The high-speed train meets substantial contribution criteria of the EU sustainable finance taxonomy and is automatically aligned for BB1 (mitigation).

GET attribution

As the transaction is a certified Green Bond aligned with the Low Carbon Land Transport Criteria of the Climate Bonds Standard (as confirmed via a SPO) and meets EBRD GET eligibility criteria for green bonds, the transaction is assessed as 100% GET eligible. No GET impact is indicated as project constitutes refinancing of an already operational project. However, the underlying project delivers significant GET outcomes. It is estimated that the project will avoid [REDACTED] CO2 over [REDACTED] operation of the line [REDACTED].

Green Finance Project Monitoring Plan

The GET monitoring indicator will be derived from the increase in passenger KM [REDACTED], which are expected to increase [REDACTED]. The issuer will provide public reporting on green proceeds allocation and associated environmental impact in line with Low Carbon Land Transport Criteria of the Climate Bonds Standard. No GET impact is indicated as project constitutes refinancing of an already operational project.

ANNEX 5 - PROCUREMENT ANNEX

The project is public for procurement purposes. As the proceeds of the Bank's participation will be used solely for the purposes of debt restructuring and no proceeds will be used to finance any goods, works or services, the project is excluded from application of the Bank's PPR (2022 version) under article 2.6 (d) and the procurement classification will be 'N/A'.

ANNEX 6 - MOROCCO HIGH SPEED TRAIN – AL BORAQ

In November 2018, Morocco unveiled the first high-speed railway system in Africa, connecting two main industrial cities, Tangier and Kenitra, with Rabat (the capital) and Casablanca (the country's economic hub The Boraq extension is expected to connect the cities of Marrakech and Agadir in the future. The train links Tangier to Casablanca in 2h10, vs. 5h in a regular train, reaching a speed of 323km/h. The train has been certified in accordance with the standards recommended by the international union of railways ("UIC").[4]

The high speed railway system provided new capacity and significantly improved the current offering as passengers using railway transport in Morocco increased by 9% from 2010-2019 (4.4bn passengers vs 4.8bn passengers). The modal shift towards rail transport represents a genuine opportunity to decarbonise passenger and freight transport in Morocco. The railway sector is responsible for between 2% and 4% of CO2 emissions in Morocco, whereas 60% of emissions come from road haulage. In addition, an estimated 60% of Morocco's 2,300 km of operational rail track (including 200 km high speed train) is already electrified. ONCF announced that Morocco's high-speed train, Al Boraq, started using green energy from 1st January 2022. ONCF is progressively working on its green transformation, by switching 25% of its overall energy consumption to green energy with the goal of reaching 50% by 2023 before exclusively using green energy in the medium term.[5][REDACTED] ONCF is greening the Moroccan rail network's power supply cycle, substituting electricity with clean energy. This new measure is expected to allow ONCF to improve its overall carbon footprint, with [REDACTED] tons of CO2 avoided [REDACTED]. ONCF's goal is to eventually power all of its trains entirely with clean energy, and the Al Boraq trains will be the first to offer eco-friendly travel using 100% wind power.

In addition, as part of its energy policy and Corporate Social Responsibility strategy, ONCF has been working towards gradual greening and decarbonisation, with voluntary initiatives to support the company in its eco-friendly vision. These include the gradual certification of railway sites in accordance with ISO 14001 and 50001 standards, systematic impact studies for major projects, annual assessment of carbon footprint, the adoption of an eco-driving system, the use of alternative photovoltaic energy in stations and buildings, etc.

[4] https://www.businessinsider.com/bullet-train-africa-morocco-casablanca-tangier-2019-1?r=US&IR=T
[5] https://allafrica.com/stories/202201030025.html