

POST-ISSUANCE CLIMATE BOND CERTIFICATION:

Verification Report for Post-Issuance Certification
for the Green Bond Issued by Office National Des
Chemins De Fer (ONCF)



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SCOPE OF WORK

ONCF commissioned ISS Corporate Solutions (ISS-Corporate) to compile a Verifier's Report for Post-Issuance Certification of its Green Bond by the Climate Bonds Initiative (CBI). The Climate Bonds Certification process includes verifying whether the provisions of the Climate Bonds Standards issued by the CBI are met and obtaining evidence to support the verification.

CRITERIA

Relevant CBI Standards for this Climate Bonds Certification:

- Climate Bonds Standard (Version 3.0)
- Low Carbon Transport Eligibility Criteria (Version 2)

ISSUER'S RESPONSIBILITY

ONCF's responsibility was to provide information and documentation on:

- Selection of nominated projects & assets
- Technical aspects of projects & assets
- Internal processes & controls
- Proposed reporting

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Pre-Issuance Verification of the Green Bond issued by ONCF has been conducted based on the Climate Bonds Standard V.3.0, and limited assurance procedures based on common market practices and voluntary guidelines, in accordance with relevant assurance standards such as the International Standard on Assurance Engagements, other than Audits or Reviews of Historical Financial Information (ISAE 3000).

The approach to assess whether the Issuer's Green Bond meets the criteria of the Climate Bonds Standard V.3.0. is as follows:

- The Issuer provided an overview over the assets to be included in the Green Bond asset pool and the relevant processes and documentation regarding the proceeds (e.g., use of proceeds, management of proceeds).
- The Issuer filled in a questionnaire that covers all criteria of the Climate Bonds Standard V.3.0.

- The Issuer provided background documents that elaborate further on the information mentioned in the questionnaire.
- An assessment of the CBI criteria has been carried out using the questionnaire and background documents. In case any answers were unclear, the issuer has been contacted for more details and clarification.

The engagement with ONCF took place in September and October 2023.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

RESTRICTION ON DISTRIBUTION AND USE OF REPORT

This Verification Report for Climate Bonds Certification including all documentation provided alongside is intended for the use of ONCF and the Climate Bonds Standard Board. The present document may be published by ONCF, CBI and ISS-Corporate. CBI and ISS-Corporate agree to publish the report with the consent of ONCF.

OPINION

Based on the limited assurance procedures conducted and evidence obtained, nothing has come to our attention that causes us to believe that, in all material respects the Issuer's 2022 Green Bond Framework (MA0000095515, MA0000095507, MA0000095523) is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements.



MARIJA KRAMER
ISS Corporate Solutions Business
Rockville, MD, 21 December 2023

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About ISS-Corporate

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/>

For more information on SPO services, please contact: SPOsales@iss-corporate.com

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ANNEX

Annex 1: Detailed Findings

Annex 2: Detailed Findings Low Carbon Transport

ANNEX 1: DETAILED FINDINGS

5. USE OF PROCEEDS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
5.1	Net proceeds allocation to Nominated projects	The full amount of the net proceeds (MAD 1 billion) has been allocated to nominated Eligible Assets.	✓
5.2	Conformance with the Bond's documented objectives and requirements of Part B of the CBI Standard	The full amount of the net proceeds has been used to refinance Clean Energy Transport which has been powered entirely by wind energy since 1 st January 2022, which conform with the relevant eligibility requirements under part B of the Climate Bonds Standards.	✓
5.3	Allocation of proceeds within 24 months of issuance of the bond	The full amount of the net proceeds was allocated immediately after issuance.	✓
5.4	No double nomination of projects and assets	The Issuer confirms that the nominated assets have not been nominated to other CBI certified Bonds.	✓
5.5	Share of financing vs refinancing	100% of the proceeds were used for refinancing a local debt in relation to the Moroccan HSL project.	✓
5.6	Tracking of proceeds	The Issuer confirms that the Net Proceeds are tracked and managed in accordance to the process described in the Green Bond Framework.	✓
5.7	Size of net proceeds vs investment exposure to nominated projects and assets	The cost of the nominated HSL project far exceeds the net proceeds of the issuance.	✓
5.8	Additional Projects and assets	No additional projects or assets have been added to the nominated list. All nominated projects fall within the same	✓

		sector criteria as in the pre-issuance certification.	
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6. PROCESS FOR EVALUATION AND SELECTION OF PROJECTS & ASSETS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
6.1	<p>Documented and maintained a decision-making process, including:</p> <p>A statement on the Climate-related objectives of the Bond</p> <p>Climate-related objectives of the bond in the context of the issuer’s strategy</p> <p>Issuer’s rationale for issuance the bond</p> <p>Process determining that the projects/ assets meet the eligibility criteria</p>	<p>The Issuer confirms that the project selection and evaluation process are in accordance to the process mentioned in the Green Bond Framework. ONCF has established a Green Bond Committee responsible for the selection and evaluation of projects and assets for the issuance of Green Bonds. The Committee will also be responsible for reviewing, updating, and implementing the processes described in the Green Bond Framework. Furthermore, the committee is responsible for verifying that all proposed Nominated Projects and Assets conform with the Climate Bonds Taxonomy and its Low Carbon Transport Criteria.</p> <p>The Issuer’s climate-related objectives associated with the issuance are:</p> <ul style="list-style-type: none"> ▪ Reduce GHG emissions through putting in place a sustainable means of transport. ▪ Pollution Prevention and Control ▪ Energy efficiency ▪ Climate change mitigation 	

		An appropriate statement has been included in ONCF’s Green Financing Framework, which incorporates all the necessary elements.	
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7. MANAGEMENT OF PROCEEDS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
7.1	Net proceeds are credited to a sub account and documented	ONCF confirms that the proceeds are managed as described in the pre-issuance certification.	✓
7.2	Net proceeds are earmarked	ONCF maintains the earmarking process to manage and account for the allocation of Net Proceeds to the Nominated Projects & Assets as described in the pre-issuance certification. Until full allocation, the proceeds could be placed in short-term liquid instruments pending allocation to eligible assets. However, the full amount of the net proceeds was allocated immediately after the issuance.	✓
7.3	Unallocated proceeds	The full amount of the net proceeds was allocated immediately after issuance. As long as the net funds of a green bond are not allocated ONCF will invest the net balance in money market instruments as described in the pre-issuance certification.	✓

8. REPORTING

REQUIREMENT		FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
8.1	Timing and availability of Update Reports	ONCF publishes both Impact and Allocation reporting annually on its website https://www.oncf.ma/en/	✓
8.2	Allocation report, Eligibility Report, Impact Report	ONCF published details on the allocation, the project eligibility, the use of proceeds and the Environmental and social impact of the project.	✓
8.3	Allocation Reporting	The allocation reporting details are available on ONCF’s website at https://www.oncf.ma/fr/content/download/92409/2149480/file/Reporting%20ES%20ONCF%20GREEN%20BONDS.pdf	✓
8.4	Eligibility Reporting	<p>The Issuer confirms that the nominated project ‘High Speed Line (HSL)’ continues to meet eligibility requirements as mentioned in Part C of the Climate Bonds Standard. Furthermore, the eligibility reporting includes the environmental and social impact of the Moroccan HSL project.</p> <p>The eligibility details are available at https://www.oncf.ma/fr/content/download/92409/2149480/file/Reporting%20ES%20ONCF%20GREEN%20BONDS.pdf</p>	✓
8.5	Reasons for confidentiality	Public disclosure of the nominated projects is available on the website.	✓
8.6	Impact Reporting	<p>The Issuer has reported on the following impacts:</p> <ul style="list-style-type: none"> ▪ Estimated CO2 emissions avoided in 2022 (tons CO2) ▪ CO2 emissions reduced in 2022 (tons CO2) 	✓

		<ul style="list-style-type: none"> ▪ Customer satisfaction rate (%) ▪ Regularity rate of trains (%) ▪ Number of passengers transported. ▪ Number of victims avoided on roads. <p>The methodology of measurement of GHG emissions was developed by the Environment and Energy Management Agency (ADEME) in 2006 and adopted in Morocco in 2016 by the Foundation Mohammed VI for Environmental Protection with support of the Association for the Low Carbon Transition (ABC).</p> <p>ONCF considers the following as part of the operational scope:</p> <ul style="list-style-type: none"> ▪ Scope 1: These are direct emissions from sources controlled by the ONCF. They mainly come from fixed or mobile installations located within the organizational perimeter, i.e. four types: direct emissions from stationary combustion sources, direct emissions from mobile heat engine sources, direct emissions from non-energy processes and finally direct fugitive emissions (air conditioning gas and cold production); ▪ Scope 2: Indirect emissions linked to electricity consumption (electric rolling stock, buildings); ▪ Scope 3: Other emissions indirectly produced by the Office's activities which are not counted in scope 2 but which are linked to the complete value chain (IT consumables, building maintenance products, upstream – 	
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		<p>downstream travel of passengers and collaborators)</p> <p>Emission sources include:</p> <ul style="list-style-type: none"> ▪ Energy: This item covers direct emissions from stationary combustion sources, indirect emissions from electricity consumption, indirect emissions from steam consumption ▪ Non-energy: The emissions included in this item are direct fugitive emissions from air conditioning and cold production. ▪ Travel: This position includes employee commuting, business travel, and visitor and patient travel. ▪ Inputs: This item considers all flows of materials or services ▪ Fixed assets: This item covers investments in durable goods, the manufacturing of which generates GHG emissions. ▪ Waste: This item estimates GHG emissions linked to the end-of-life treatment of ordinary or hazardous waste and methane emissions from wastewater <p>GHG emissions are expressed in tonnes of CO₂ equivalent (tCO₂e). They are calculated from the collected activity data multiplied by Emission Factors (EF). The EFs are multiplier coefficients that estimates the amount of GHGs emitted as a result of an activity. Those used in this study are drawn from the BEGES tool, developed by the Foundation and adapted to the national context to ensure the reliability of GHG emissions calculations. However, in case of unavailability of EFs adapted to the Moroccan context, the EFs are taken from the ADEME carbon database. The emission factors</p>	
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		<p>database was updated in 2023 by the Mohammed VI Foundation.</p> <p>Calculation assumptions:</p> <ul style="list-style-type: none"> ▪ The data provided by the entities are used without modification. ▪ Data not available or requiring adaptations or adjustments are estimated based on well-defined assumptions. This is particularly the case for scope 3 data (other indirect emissions) ▪ Estimated purchase of window glass for passenger wagons and locomotives carried out by framework contracts over 3 years; ▪ Conversion into tonnes of the price in Dirhams of paper procurement; ▪ The number of kms traveled per day (total round trip) and the distribution of passengers by mode of transport used to get to the station or leave from final destination (car, taxi, tramway, bus, bicycle, motorbike and walking) ▪ The number of kms traveled per day (total round trip) and the distribution of employees by mode of transport used for the home-work journey (car, taxi, tramway, bus, bicycle, motorbike and walking) ▪ The mobility of employees and upstream-downstream travel of passengers does not count trips by train, because these have already been taken into account in the energy consumption of trains (scope 1 and 2). <p>The impact reporting details are available on ONCF's website at https://www.oncf.ma/fr/content/download/92409/2149480/file/Reporting%2</p>	
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8.7	Public Verifier Reports	The CBI Pre-Issuance Verification Report is available on ONCF's website. https://www.oncf.ma/fr/content/download/84367/1951499/file/Second%20Party%20Opinion%20-%20ONCF%20Green%20Bonds.pdf	✓
8.8	Availability of information provided to Verifier	The relevant information has been provided to ISS-Corporate and will be provided to the Climate Bonds Standard Board.	✓

9. CLIMATE BOND TAXONOMY

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
9.1	Matching of Climate Bond category	The full amount of the net proceeds were allocated to Eligible Assets which fall within the areas included in the Climate Bonds Taxonomy.	✓

10. TECHNICAL CRITERIA

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
10.1	Sector-specific eligibility criteria	The full amount of the net proceeds is allocated to Eligible Assets related to the aforementioned categories and conform with the relevant eligibility requirements under part B of the Climate Bonds Standards.	✓

ANNEX 2: DETAILED FINDINGS LOW CARBON TRANSPORT

	<p>The Green Bond Asset Pool complies with the Low Carbon Transport Criteria of the Climate Bonds Initiative.</p> <p>The eligible projects and assets namely fully electrified inter-urban train lines for the purpose of transporting public passengers, purchase of rolling stock for new and existing wholly electrified train lines and supporting infrastructure and logistics that link directly to wholly electrified railways, comply with the criteria and are eligible for the Climate Bonds Certification.</p> <p>The proceeds of the CBI Green Bonds issued in 2022 have been fully used to refinance a debt raised in 2017 dedicated to the financing of the Moroccan HSL project.</p>
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