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1. SOURCES AND OVERVIEW

1.1 Main substantive ESG-related laws in Republic of the Kingdom of Morocco ("Morocco")

The main substantive ESG-related laws in Morocco are the circular no. 3/19 relating to transactions and financial information of the Moroccan Capital Market Authority ("**AMMC**"), the framework law no. 99-12 on the national environment and sustainable development, the employment code, the law related to studies of environmental impacts, the decree no564-04-2 setting out the procedures for organising and conducting the public enquiry into projects subject to environmental impact studies, the law related to water, the law related to the management of waste and its elimination, the law on the battle against air pollution, the law on the expropriation for public use and the temporary occupation, the directive on the management of financial risks linked to climate change and the environment.

1.2 ESG disclosure requirements in Morocco

In Morocco, the disclosure of ESG compliance is partially effective. It is only officially applicable to companies making public offers. The Authority of Insurance Control and Social Security make the ESG compliance compulsory to insurance establishments. Market participants that have investments with the Mohamed VI Funds, public investment fund, must (i) submit themselves to the local laws set out in paragraph 1.1, (ii) comply with the principles of sustainable environment and for the societies which have activities implied an excessive use of should be submitted additionally to the performances norms of the International Financial Corporation ("**IFC**").

Globally, the funds are based on international standards for its ESG compliance as: the IFC, the principles of responsible investment of United Nations, the global Pact of United Nations, the United Nations Environment Programme Finance Initiative and all the national laws and initiatives ESG related. The requirements of international standards of ESG compliance are not excluded by the AMMC, and the requirements of the ESG compliance by the AMMC is not specific to a type of sector.

1.3 Compulsory versus discretionary ESG-related disclosures in Morocco, and the frequency of such disclosures

The circular no. 3/19 relating to transactions and financial information of the AMMC make the ESG disclosures compulsory only for companies making public offer. These public companies are forced to make the disclose every year, at the same time as their annual report. Despite this requirement is only being applicable to public companies, the Authority encourages all types of companies to comply with their ESG disclosures and aim to extend the requirement to all companies. However, it is mandatory for insurance companies to comply with ESG principles in their structures.

1.4 If ESG-related disclosures are discretionary, are compulsory ESG disclosures being considered by the regulators in Morocco and is it envisaged that such disclosures will, at some stage, become compulsory?

The Moroccan Authority of Capital Market is working on the extension of the enforcement of ESG compliance and reporting to every type of enterprise, but it is not in effect at the moment.

1.5 Significant private sector initiatives relating to ESG-related laws and/ or disclosures in Nigeria

Many initiatives related to ESG compliance/ disclosure have been taken by the government and applies to the private sector. First, the directive of the AMMC circular makes ESG disclosures mandatory for some types of companies (making public offers) which are in the private sector.

The Moroccan Code of Good Governance Practices for Companies and Public Enterprises set norms framing the respect of the conditions of ethics, social security and transparency.

The interest of the government for the environmental issues leads to the conception the National Sustainable Development Strategy ("**SNDD**") that the main aim of the strategy is to achieve a green and inclusive economy by 2030 by involving as many economic operators as possible, including the private sector.

Also, the Mohamed VI Funds, a public investments funds, which have also parts in the private sector have elaborate a list of the duties related to ESG compliance required to private and public companies funded by it.

2. PRINCIPAL SOURCES OF ESG PRESSURE

2.1 Investor and Asset/ Investment Manager Perspectives on ESG Compliance and Influence Strategies

ESG compliances are well received by the market participants in Morocco. Even before the AMMC's circular, companies as Maroc Telecom had noticed the interest for them to conform themselves to the ESG compliance. The company had voluntarily processed to ESG compliance since 2014. In fact, many Moroccan companies revealed the interest to go with this global change to stay competitive on the global market. In fact, the investors are more concerned about the ESG evaluation of companies, which make it obligatory for companies which focus on the international market to be submitted to ESG compliance. And even the small companies should to the ESG to stay in conformity with the others.

An ESG report has been made in 2023 by the Association Marocaine des Investisseurs en Capital ("**AMIC**"), which is the only professional association specialised in private equity which includes several market leaders in Morocco. That report shows how the investors approve and are invested to follow the guidelines of the regulators. The report is based on answers collected following an RSE/ ESG and an impact question sheet.

The report does not mention the perspectives of disinvestment in companies which does not follow the ESG compliance. The ESG compliance are in fact in good progress even if the ESG integration is not complete and not totally enforceable.

2.2 Stakeholder Influence on ESG Compliance

The Mohamed VI Funds, a public investment Fund which have also parts in private sector, have took many engagements more enforcing. The Funds, already engaged to be in accordance with the ESG compliance, has decided to not invest or disinvest in activities which does not align with ESG compliance due to the sector or the object of the company. The Funds have also made an annex listing the excluding factors of companies regarding local law and ESG requirements. Also, banks, as Al Maghrib are regarding of the ESG compliance to make the investments.

2.3 Principal regulators of ESG compliance in Morocco and their focus areas

The main regulator of ESG compliance is the AMMC. Even if it only made the ESG compliance enforceable to the companies making publics offers. The Authority aims to extend the ESG compliance to the whole Moroccan market and is working on it with the collaboration of the stock exchange of Casablanca, the General Confederation of Companies in Morocco ("**CGEM**") and the Economic, social and Environmental Counsel (CESE) since 2017.

2.4 Liability and Penalties for ESG Non-Compliance: Piercing the Corporate Veil

The AMMC sanctions are ordered by its sanctions administration against physics or morals persons which remain liable of the disrespect of the RSE/ESG compliance. These sanctions go from warnings to financials penalties. The liabilities can be revealed by the AMMC control and investigation services or following a lawsuit made by anyone. However, the lawsuit must be proved and must follow an interpellation to the accused which remains not answered for one month. The third parties can also be consulted due to their functions, expertise, skills to bring help during the investigations already submitted to the sanctions administration of AMMC.

2.5 Material ESG Enforcement Actions in Morocco

The enforcements methods to improve the ESG compliance are mainly taken against companies making public offers and insurance establishment with the sanctions ordered by the sanction administration of the AMMC. The Mohamed VI Funds has also taken enforcement measures for all types of companies it works with or plan to work with which can be disinvested if the ESG compliance are not respected.

2.6 ESG Litigation Risks and Emerging Legal Exposure

According to the procedure guide of the AMMC sanctions counsel, the generating event, opening the sanction procedure can be caused by the non-compliance or the irregularity to the laws applicable to the activities made by the persons or organisms controlled.

2.7 Key ESG Compliance Concerns in Morocco

The proponents of ESG compliance (companies, investors and government) are really questioning the climate issues, which is a subject really concerning in Morocco. The ESG compliance can serve to a better perception of the risks related to the climate and the impact on the company's performance.

2.8 Shareholder Activism Triggered by ESG Non-Compliance

In Morocco, it cannot be a failure, since the ESG compliance is in progress. The market participants are mostly in favour of the ESG compliance. Many, even if the ESG are not compulsory yet, disclose their ESG evaluation voluntary.

3. ENVIRONMENTAL METRICS AND GOALS

3.1 Carbon Footprint Disclosure Requirements: Scope 1, 2 and 3 Emissions

Organisations in Morocco are required to calculate and disclose their carbon footprint. Firstly, Morocco climate implies many risks for the kingdom and its economy. The climate warning affects its production capacity in agriculture and water supply and leads to natural consequences such desertification or hydric stress. Government had to take measures to remedy to these issues. After, the program instituted by the European Union which aim to add tax to the importer companies exceeding the limit of greenhouse gases emission making a company seen as polluting, the carbon adjustment mechanism at borders (MCAF) affects the Moroccan companies. The companies exporting more than 60% of its exportation to Europe is concerned by the adjustment of the carbon emission of its exporter companies. To stay competitive on a so big consumption market and attract investors, Morocco complies to the international requirements and adjust the greenhouse gases emissions of the companies.

3.2 Emissions Reduction Targets and Enforcement in Morocco

The government has set many plans. The low carbon strategy is implemented by the Minister of Energetic Transition and Sustainable Development. The aim of this plan is to reach the climate neutrality by 2050, making the quantity of greenhouse gases produced completely absorbed, neutralising the effect of climate warning with the implementation of initiatives related to the climate. The plan targets many activities sector as energy, industry, construction, transports, forests, agriculture and managing of waste sectors. It has also been taken a Nationally Determined Contribution (NDC) in 2019 updated in 2021 with the aim to deal with the climate risks. The setting of a Moroccan norm valuing the carbon footprint of Moroccan companies and recognised in Europe is being developed by Morrocco. Morocco has set a legal structure to lead the company on the management of companies by considering environmental risks without putting real penalties to the non respect of the requirements. However, the Moroccan market participants are with the principles of taking in account the climate risks in their companies' organisation.

3.3 Sector-Based Environmental Disclosure Requirements

Apart the companies targeted by the Circular of the AMMC which are forced to make an ESG report, Moroccan companies are not required to proceed to measurements, monitoring and disclosing but are encouraged to, to reach the goals of the different plans set within the climate risks issues.

3.4 Statutory Obligations for Renewable Energy and Efficiency Reporting

It not compulsory to proceed to it, but since, Morocco should be aligned to the requirement of the carbon adjustment mechanisms to border of the European Union, the government tends to control the use of renewable energy by companies in the territory.

3.5 Biodiversity Disclosure Obligations in Operations and Supply Chains

The biodiversity in Morocco is regulated by the Framework Law No. 99-12 on the National Charter for the Environment and Sustainable Development. But it does not regulate the measures, monitoring and disclosing in organisation operation. But since the ESG reporting is about environmental aspect, companies should consider including it.

4. CLIMATE RISK ASSESSMENT

4.1 What physical climate risks have been identified in your jurisdiction?

Morocco is susceptible to many physical risks which have been identified during national and international studies. The raising of temperatures, the floods, seism, increasing of climatic aridity are some of the most relevant physical climate risks in Morocco. These climatical issues can really affect the agriculture and banking sector in Morocco and generally, the companies working in the natural resources sector according to the report made by the World Bank.

4.2 Challenges of Transitioning to a Low-Carbon Economy

Projects can attract investors first but also permits to Morocco to be seen a big ESG complier country. That reputation can attract even more investors who sees the country as an environmentalist who takes risks rather than allowing them to increase. They can trust the regulation of the country because of the transparency of its politics. But the adoption of the low carbon program by Morocco can considerably affect many sectors transmitter of excessive amount of carbon. The greenhouses gases are supposed to be replaced using green hydrogen, which is a big point of the strategy, but the key issue is the amount available to the amount needed, but if it founded, the furniture of technologies useful to the transition will not impact it negatively.

4.3 Statutory Integration of Climate Risks into Enterprise Governance

The organisation's enterprise are not officially required to integrate the climate risks in its management/ government chapter but with the guide of the AMMC on the RSE/ ESG compliance and the strategy of low carbon by 2050 suggest to companies in Morocco to include the climate risks in their organisations, climate risks must be taken in consideration by the companies.

4.4 Insurance Coverage for Climate Hazards and Anticipated Exclusions

Insurances in Morocco includes in their covering risks of flooding, earthquakes and tsunamis, however, others climatical event are not include. According to the World Bank Report in collaboration with the Bank Al Maghrib, the physical climate risks will impact the companies of some sectors, and in consequence, banks should considerably be affected as much as the interest rate to amortise their losses.

4.5 Climate Adaptation Strategies by State, Business and Civil Society

Many climate adaptation strategies have been implemented in Morocco such as the National Strategy for Sustainable Development (SNND), the New Development Model (NMD), the low carbon strategy.

5. INTEGRATION OF ESG INTO STRATEGY, BUSINESS OPERATIONS AND PLANNING

5.1 ESG Oversight: Board and Management Responsibilities

The ESG compliance is not completely formalised in Morocco. The ESG politic of each company is directed internally but it remains generally the responsibility of the head of the company as directors. The responsibility can also be delegated to the different services of the company.

5.2 Statutory Governance Mechanisms for ESG Oversight

The government mechanisms have not been elaborated yet in Morocco. But companies should elaborate their government mechanisms in alignment with the ESG compliance due to the AMMC directive.

5.3 ESG-Linked Remuneration and Incentive Structures

The Label of Social Responsibility of Enterprises ("**RSE**") by the CGEM is a recognition awarded to companies which have agreed with the ESG compliance and disclosure and are dedicated to integration of ESG compliance in their company organisation. In mid-2024, it was 124 Moroccan enterprises awarded with the label, from small and medium enterprises to companies listed on the Stock exchanges. The requires of the award is renewable each 3 years and allows the labelled companies to insert the network "Responsibility Europe".

5.4 Operational Integration of ESG Compliance Across Sectors

With ESG report made by companies as Jaida, Taqa Morocco, the AMIC or Crédit du Maroc, the companies complies to methods of capital conversion following the IIRC methods, guarantee access to quality information by all the parties (clients, investors, regulators, supplier), transparency about gender inclusion, the transparency about the financial audit, the responsibility of the company of the security of workers and associate.

5.5 Determining ESG Materiality for Disclosure and Reporting

The framework of ESG compliance in Morocco being in big progress, the companies tend to use international standards to determine the materiality of the ESG compliance additionally to the AMMC indications.

5.6 Board and Management Adaptation to ESG Oversight Requirements

The boards and management have adapted themselves voluntary to the ESG compliance regarding the interest to stay competitive on the national and international market.

5.7 Data Security and Privacy Requirements for Organisations in Morocco

The law 09-08 on the protection personal data ensure the data security and customer privacy in Morocco. The companies should respect the principles the requirement as:

5.7.1 the finality of the data: the data should be used for a precise purpose;

5.7.2 the proportionality: the amount of collected date should be proportionate to the finality of the collect;

5.7.3 the quality: the data must be exacted, trustable and updated;

5.7.4 the duration of the data storage: the data should be destructed after the expiration of time needed for their treatment;

5.7.5 maintain the rights of the person's data: the person keeps his rights and can exercise them; and

5.7.6 ensure the security and the confidentiality of the treatment.

5.8 Cybersecurity Risk Management Requirements for Organisations

5.8.1 The National Commission of control of protection personal Data ("**CNDP**") is the Authority which manages and monitor the use and treatment of personal data in Morocco. Following the Article 12 of the Law 09-08, all personal data treatment is submitted to a prior declaration or prior authorisation. These procedures are submitted to the CNDP. The authorisation is compulsory for data concerning -

5.8.1.1 sensitive information (religion, politic);

5.8.1.2 using of the data for another purpose than the original;

5.8.1.3 genetical data;

5.8.1.4 data about judicial information; and

5.8.1.5 data about personal information.

5.8.2 The data published by caritative; sportive, philosophic, cultural politic associations are not submitted to the authorisation. All the data treatment are submitted to the prior declaration except the one submitted to the prior authorisation.

5.9 Compliance with Global Data Protection Standards (e.g. GDPR)

The dispositions of the Law 09-08 are in alignment with the GDPR requirements.

6. FINANCE

6.1 How Financiers Apply ESG Ratings in Morocco

The financiers, investors, and debt providers and equity financiers rely more on the ESG reporting, which explains the voluntarism of companies to integrate the ESG compliance and proceed to the disclosure. The ESG compliances are taken in account during the emission of green bonds for examples.

6.2 Top ESG Rating Agencies in Morocco

Morocco does not have ESG agencies yet, but the companies can rely on international rating company.

6.3 Ensuring Consistency in ESG and Financial Reporting in Morocco

The double materiality rule is used in Morocco. In fact, the AMMC provides that the ESG compliance does not put down the financial report. It is about having an extra financial report and a financial report of companies.

6.4 Role of Green and Social Bonds in Morocco

The vision of Morocco to build an environment favourable to the sustainable development and face the climate risks makes the emission of green bonds, a significant investment. With program as the Finance Climate Strategy by 2030 and the low carbon strategy in Morocco. The attraction of investors to fund it is a kind of primordial to lead the plan and solve these problematics issues. The AMMC has published some directive line concerning the green bonds with the IFC. Many emissions of green bonds have been done in Morocco by the European Bank for the Rebuilding and the Development ("BERD"), Masen, Casablanca Finance City or the public operator, Al Omrane Holding.

6.5 Role and Outlook of Sustainability-Linked Bonds in Morocco

The sustainable-linked bonds are really considered by the government since adoption of the national chart of the environment and sustainable development and the implementation of the SNDD. National investors as Bank Al-Magrhib, Attijariwafa or Banque Populaire and international investors as the African Bank of Development and BERD have already invested in the sustainable development in Morocco.

6.6 Key Barriers to Sustainable Bond Adoption in Morocco

Factors are impacting the social, green and sustainability-linked bonds is the demonstrations by Morocco of its intentions to reach the aim fixed with it different programs. The government has already showed its intentions to achieve the OCD goals consented in 2015 and is disposed to elaborate plans in that way. Investors can feel the investment trustable with all the sustainable development measures implemented, which facilities the emission of the green or sustainably linked bond.

6.7 Assurance and Regulation of Green Bond Verification in Morocco

The emission of green bonds is regulated by the AMMC. The authority oversees the aim of the bond and must authorise the emission or not. During the emission of the bonds all the periodic or continues information are relayed to the authority.

7. TRENDS

Material trends related to ESG Compliance and disclosure in Morocco

The actual ESG compliance/ disclosure trend is the enforceable measure taken towards companies making public offer.