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

Approved by the Board of Directors on 24 July 2024[1]

MOROCCO

PROJECT OCP DESALINATION

[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

CAGR	Compounded Average Growth Rate
Capex	Capital Expenditure
CF	Commission Fee
CF	Cash Flow
COGS	Costs of Goods Sold
DAP	Diammonium phosphate
DD	Due Diligence
DSCR	Debt Service Coverage Ratio
EBITDA	Earnings Before Interest Tax, Depreciation and Amortisation
EUR	Euro
FEF	Front End Fee
FX	Foreign Exchange
FY	Fiscal Year
k	Thousand
LGD	Loss Given Default
MAP	Monoammonium phosphate
m	Million
MT	Million tons
NFD	Net Financial Debt
p.a.	Per annum
PD	Probability of Default
PSD	Project Summary Document
RAROC	Risk Adjusted Return on Capital
SEMED	Southern and Eastern Mediterranean
SG&A	Selling, General, and Administration
TI	Transition Impact
TMP	Taux Moyen Pondere
TSP	Triple superphosphate
URP	Unfunded Risk Participations
WC	Working Capital
y-o-y	year-on-year

1.00 EUR = 11.00 MAD

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning a senior loan of up to MAD 2,200 million (EUR 200 million equivalent) operation in favour of OCP S.A. (the "Group", the "Borrower"), a leading international fertiliser producer and a public limited liability company incorporated in Morocco, are submitted for consideration by the Board of Directors.

The operation will enable the Group to significantly reduce its consumption of freshwater, which is crucial for a water-intensive industry operating in a highly water-stressed region. The project qualifies as 100% GET thanks to its expected transition impact in Climate Adaptation by reinforcing Morocco's water security.

TC support for this operation has been provided by the EBRD Special Shareholder Fund (SSF).

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

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

Odile Renaud-Basso

BOARD DECISION SHEET

Morocco – Project OCP Desalination- DTM 54662	
Transaction / Board Decision	Board approval[2] is sought for a senior loan of up to MAD 2,200m (ca. EUR 200m) in favour of OCP S.A. (the "Borrower", the "Company" or the "Group"), a public limited liability company incorporated in Morocco.
Client	OCP S.A. is state-owned and a leading international chemical company, producing phosphoric acid and fertiliser.
Main Elements of the Proposal	− Transition impact Green – stems from the significant reduction in the use of fresh water through the construction of seawater desalination facilities with a capacity of ca. 35 Mm3 for the Group's acid production required in fertiliser manufacturing, thus contributing to reinforcing water security in Morocco. The dual use (industrial/municipal) configuration of the desalination facilities is also one of its kind in the country. − Additionality **Financial structure:** ability to provide a sizeable long-term loan in local currency. **Resource mobilisation:** [REDACTED]. **Risk mitigation**: The relationship with EBRD mitigates funding and other risks for the group, in light of the complexity of the project and the very large green investment programme in Morocco. − Sound banking [REDACTED].
Key Risks	**Market/Competitive Environment**: Phosphoric acid and phosphate-based fertilisers are global commodities, subject to intense competition from large players. However, OCP's access to the largest reserves of phosphate rocks (ca. 70% of the world's phosphate reserves) and its advantageous low-cost position ensures a sustainable competitive advantage. In addition, the Group has a well-diversified product portfolio and customer base, reducing reliance on a single market or product. The Group's profitability has been and may continue to be affected by the price volatility and availability of raw materials particularly in the current context of disruption to international supply chains, accentuated by the Russia-Ukraine war. However, the Group has secured agreements to procure ammonia from North America, reducing risk of shortages. In addition, OCP aims to strengthen its domestic supply chain by establishing a plant in Tarfaya, to produce 200,000 tons p.a. of green ammonia [REDACTED] **Financial Risk:** [REDACTED].
Strategic Fit Summary	The Project is in line with the Bank's strategy for Morocco and the Bank's Green Economy Transition Approach 2021-2025 .

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

ADDITIONAL SUMMARY TERMS FACTSHEET

Client	OCP S.A. (the "Borrower" or the "Group") is a Moroccan state-owned company, 94% owned by the Moroccan state and 6% by state agencies. OCP is a leading international chemical company, producing phosphoric acid and fertiliser.
EBRD Transaction	Senior loan of up to EUR 200m (the "Loan") in local currency to be provided to OCP S.A for the construction of seawater desalination facilities for acid production required in fertiliser manufacturing.
Existing Exposure	None.
Maturity / Exit / Repayment	Proposed maturity of up to 10 years [REDACTED]
Potential AMI eligible financing	[REDACTED]
Use of Proceeds - Description	Construction of seawater desalination facilities for acid production required in fertiliser manufacturing. [REDACTED]
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	The Borrower.
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	[REDACTED]
Other material agreements	N.A
Associated Donor Funded TC and Blended Concessional Finance	**A. Technical Cooperation (TC)** <u>Legal Due diligence TC:</u> Main objective of assignment: Funding source: EBRD Special Shareholder Fund (SSF) Amount/currency and funding status: EUR 49,000, "confirmed" <u>Environmental and Social Due diligence TC:</u> Main objective of assignment: Funding source: EBRD Special Shareholder Fund (SSF) Amount/currency and funding status: EUR 48,350, "confirmed" Client contributions: 30%

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

OCP is one of the largest world producers of phosphate-based fertilisers (diammonium phosphate "DAP", monoammonium phosphate "MAP" and triple superphosphate "TSP"), phosphate rock and phosphoric acid [REDACTED]. The Group was established in 1920 to exploit phosphate in Morocco and has since expanded its operations to cover the entire fertiliser value chain, providing the Group with more flexibility in optimising its product mix between various fertilisers, phosphate rock, and phosphoric acid, which allows to maximise margins and optimise capacity utilisation according to demand. OCP exports 90% of its production and is therefore a strategic partner to many regions in the world, including many EBRD COOs.

In light of rising global demand for fertilizers and the Group's competitive position, OCP has launched a major investment program in 2008 of EUR 20bn, aimed at anticipating future growth in demand and strengthening its leading position across the value chain (by doubling mining capacities and tripling processing capacities). In 2023, OCP embarked on a EUR 12bn investment programme (over 2023-2027) with the aim of (i) increasing its fertilizer production to up to 20 MT per year (from 12 MT currently) and the setting-up of a new chemical complex and (ii) producing 1 MT of green ammonia. [REDACTED].

OCP has committed to reduce its GHG footprint by 42% by 2030 in line with Morocco's objectives under the Paris Agreement. As part of its green strategy, OCP aims to meet 100% of its water needs from unconventional (i.e. not fresh) sources. Due to the current drought in Morocco, the initial target of 2030 to deliver the project has moved forward.

The project consists of the construction of seawater desalination facilities for acid production required in fertiliser manufacturing. This will reduce significantly OCP's use of freshwater, which is crucial in a water-intensive industry operating in a highly water-stressed region, where drought is exacerbating water scarcity, making desalination the most suitable solution. The Project entails the construction of two desalination facilities and related equipment (reservoirs and watermains) in OCP's most important two industrial complexes: El Jadida Jorf Lasfar complex and Safi Industrial complex. The total desalination capacity will reach approximately 35Mm3 (15Mm3 for Jorf Lasfar and 20Mm3 for Safi).

The project targets Transition Impact under the Green quality (100% GET) as it will contribute to reinforcing Morocco's water security by conserving natural freshwater reserves for local drinking water supplies rather than industrial processes. It is the first climate adaptation EBRD project in manufacturing.

The Project is line with the Bank's strategy for Morocco and the EBRD Green Economy Transition Approach 2021-2025 .

1.2 TRANSITION IMPACT

Primary Quality: Green (GET Direct Track)

Obj. No.	Objective	Details
1.1	*The percentage of EBRD use of proceeds that supports a green economy transition and therefore qualifies a GET finance exceeds 50%*	OCP Group operates in a very water intensive industry and in a high-water stressed region: Morocco has a water stress measure of 790 m3/capita/year while El Jadida and Safi municipalities are located in a catchment that suffers from extreme water stress, i.e., where water demand exceeds 80% of freshwater supply. Thus, access to water is a key constraint to the Group's operations. It is expected this will be worsened by the impacts of climate change, making desalination the only viable alternative. In the interests of conserving limited freshwater resources, and in response to the National Regional Emergency Plan, the EBRD Loan will be used to finance the construction of two new seawater desalination facilities to meet the industrial needs of OCP for their two facilities in Safi and Jorf Lasfar with the increased capacity of 35 Million m3/year. The project is part of a wider investment programme, which will result in production of drinking water for the municipalities of Safi and El Jadida (75 Million m3/year). The provision of water for municipal use is formalised through an agreement between OCP and the Autonomous Intercommunal Authority. Furthermore, water consumption for OCP's operations is minimised through the recirculation of brine (Jorf Lasfar: 6,600 m³/h, Safi approximately 3,600 m³/h) (diluted with seawater) for cooling purposes associated with the diverse units operating within the industrial fertilizer complexes. As such, only 2% of the total volume will be discharged into the sea minimising local impacts of hypersaline brine discharge into the marine environment. Overall, OCP has strong ambitions to minimise their water footprint in the context of water stress, targeting a reduction in water consumption by 3 Million m3/year and aiming to source 100% of its water needs from non-conventional sources by 2024 through its Water Management policies. The combination of strong action on water consumption reduction, sustainable water sourcing, within the project boundary, across the client's operations and the wider system through provision of desalinated water to nearby municipalities, all serve to address the climate vulnerability context.

1.2	*The project introduces an innovative green business model, which accelerates the uptake of environmentally friendly products or services and is one of the first three of its kind.*	The Project is part of a wider programme that will provide desalinated water for industrial and municipal uses. This is an innovative business model as no other desalination plants financed by the EBRD have this configuration. Out of 660 desalination plants operating in the SEMED region, only one has a dual use function in Jordan (at a fertiliser production site in Aqaba), which is, however, not integrated with waste heat co-generation, making the OCP desalination plant the only one of its kind in the region due to its sustainability characteristics. The integration of the desalination plant within the industrial facilities requires a special technological set-up, where the brine from desalination is diverted into the water cooling system, rather than being discharged into the sea. The power requirements will be partially met by waste heat co-generation, which is a by-product of sulphuric acid production. The rest of the power requirements are satisfied through on-site renewable energy production. The economies of scale stemming from the dual use function enable lower costs for desalination and ability to provide water scarce regions with fresh water on a commercial basis. This business model is thus replicable and first of its kind in Morocco. [REDACTED]
1.3	*The project results in water savings equivalent to at least 0.05% of annual national freshwater withdrawal, so significantly contributes to reducing the national water footprint.*	This project will significantly reduce the Group's freshwater consumption from 2024 (estimated at 35mm3/yr), contributing to a water saving equivalent of more than 0.05% of annual freshwater withdrawals in Morocco (15mm3/yr) and hence, significantly counteracting the effects of water stress in Morocco. The only alternative water supply to support expansion of OCP's production and local municipal water would be freshwater or treated wastewater. Although a long-term priority for the government, the viability of treated wastewater for industrial and municipal use is limited at present due to low levels of advanced wastewater treatment in the vicinity. As such, the provision of desalinated water effectively displaces the equivalent volume of freshwater extraction.

Delivery risks: Risks are linked to the implementation of the Group's capex program, which can face cost overruns and delays, mitigated by the Group's experience in similar large-scale projects, including renewable energy projects and similar desalination plants, strong financial position, and well-established relationship with local Banks.

1.3 ADDITIONALITY

Identified triggers	Description
[REDACTED]	[REDACTED].
A significant share (at least 30%) of the project is for **refinancing purposes**	[REDACTED]

Additionality sources	Description of additionality sources
Financing Structure - EBRD offers financing that is not available in the market from commercial sources on reasonable **terms and conditions**, e.g. a longer grace period. Such financing is necessary to structure the project.	. OCP's EUR 12 bn investment programme over 2023-2027 (an accelerated rate of EUR 3bn a year, compared to their previous 2008-2023 programme of ca. EUR 1bn a year), which requires all the financing capabilities in local and foreign currency. There is a clear need for substantial additional long term financing capability in local currency and EBRD is the only IFI in the country capable of accommodating that. Additionally, local commercial banks have limited exposure limits and have already reached these with OCP. Finally, the bond market is not very deep and does not offer an alternative for these financing needs either. The EBRD's MAD 2,200m loan for 10 years with sculpted repayments represents a large and long exposure for bilateral financing, tailored to the debt servicing capacities of the sizable water desalination project. [REDACTED].
Resource mobilisation – The EBRD project mobilises additional commercial funding **through an A/B loan structure.**	EBRD will be able to attract additional commercial funding [REDACTED].
EBRD provides comfort to clients and investors, financial or strategic, by mitigating non-financial risks, such as country, regulatory, project, economic cycle, or political risk	OCP relies on EBRD to mitigate long-term risks of entering into new business models. Considering multi-billion investment requirements for its green agenda in Morocco and expansion plans in Sub-Saharan Africa, OCP has expressed interest in establishing a partnership with EBRD. [REDACTED]The client aims to leverage EBRD's extensive experience

	and longstanding presence in these specific areas and sectors.

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Market/ Competitive environment	Low/Medium	Phosphoric acid and phosphate-based fertilisers are global commodities, subject to intense competition from large players, such as Ma'aden, PhosAgro, Mosaic, Kailin, Wengfu, and Yuantianhua However, OCP's access to the largest reserves of phosphate rocks (ca. 70% of the world's phosphate reserves) and its vertically integrated business model across the phosphate value chain and its low-cost position ensures a sustainable competitive advantage. [REDACTED]. In addition, the Group maintains its leadership position by constantly investing in R&D to develop tailor-made products and enhancing its operational efficiency. The Group has also a well-diversified product portfolio and customer base, reducing reliance on a single market or product. The Group is present in all segments of the phosphate value chain, from the extraction of phosphate rock and the production of phosphoric acid to the production of phosphate-based fertilisers and has a presence in all major markets, with over 350 clients across five continents. [REDACTED]. The Group generates its revenues with diversified clients. [REDACTED]. OCP Group also engages in strategic partnerships and collaborations to access new markets and customers. The Group has entered production joint ventures and has direct or indirect interests in processing plants in Belgium, Brazil, France, India, Spain and the United States. In addition to Morocco, OCP heavily invests in production and logistics across numerous African countries, including fertiliser blending and storage facilities. These projects enable the Group to optimise cost efficiencies for farmers while enhancing OCP's agility and responsiveness to local requirements.
Raw Materials	Medium/ Medium	The key raw materials (in addition to the phosphate rock, which is produced internally by OCP) are Sulphur, and ammonia, which accounted for 26.2% and 30% respectively of the Group's total raw material purchases in 2023. The Group's profitability has been and may continue to be affected by the price volatility and availability of

		those raw materials, especially in the current context of disruption of the international supply chains, accentuated by the Russia-Ukraine crisis. The prices of sulfur and ammonia have been historically volatile and are generally fixed cargo by cargo over a short-term period (ammonia in particular is highly sensitive to gas price). [REDACTED].
Completion/ Project Implementation	Medium/Low	The project involves the expansion of the Group's phosphate-based fertiliser production capacity, and the construction of desalination facilities to meet the Group's need in water. Risks of cost overruns, completion delays and disruption of operations exist. However, OCP Group has a significant experience and a strong track record in executing large-scale projects, including renewable energy projects. In addition, the desalination facilities are being finalized with almost no overruns.
Financial risk	Medium/Medium	[REDACTED]

2. MEASURING / MONITORING SUCCESS

Transition Impact Monitoring Indicators

Primary Quality: Green

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Water saved (m3/year)	Annual desalinated water production for industrial consumption at the Safi (20 Mm^3/year) and Jorf Lasfar (15 Mm^3/year) industrial sites, resulting in equal amount of water saved	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Practices of the relevant stakeholder improved (innovative green business model)	Supply of water to the local municipalities as per the agreement between OCP and the Autonomous Intercommunal Authority, as a result of the dual use (industrial/municipal) configuration of the plant	[REDACTED]	[REDACTED]	[REDACTED]
1.3	New or updated GET technology or product leading to renewable energy generation introduced	100% of desalination electricity needs covered by clean sources (renewables and co-gen) by 2027	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER / INVESTEE COMPANY

The Moroccan state has granted OCP exclusive access to Morocco's phosphate rock reserves in 1920. All of the Group's mining activities are conducted at open-pit mines. The Group operates ten phosphate rock mines with a combined annual production capacity of 46.6 MT. The Group processes approximately three quarters of its phosphate rock production into phosphoric acid, a significant part of which is in turn further processed into phosphate-based fertilisers.

In addition to phosphoric acid, the Group produces and exports six major types of phosphate-based fertilisers (MAP, DAP, nitrogen-phosphorus-potassium ("NPK"), nitrogen, phosphate, and sulphur ("NP"), ammonium sulphate phosphate ("ASP") and triple superphosphate ("TSP") as well as over 40 specialised fertiliser products, such as fertilisers enriched with micronutrients and reactive phosphate rock. The Group sells its products to other industrial companies, including integrated and non-integrated players, large and established traders and distributors. [REDACTED].

The Group is present in all major markets and its customer base comprises over 350 customers on all five continents. The Group is therefore able to mitigate decreases in sales in regions where there is lower demand by shifting sales to other regions, which creates a natural hedge against adverse events in any given market or region. Export revenues account for more than 90% of the Group's total revenues. Main export markets include Europe & North America, India and South America with 20% of total revenues for each region. Sub-Saharan Africa and other Asian countries (excluding India) account each for 12% of total revenues.

4. MARKET CONTEXT

The global fertiliser market was valued at USD 213 billion in 2023 and is expected to reach USD 285 billion by 2032 with a registered compound annual growth rate (CAGR) of 3.3%. Fertilisers are used to improve soil fertility by enhancing nutrient content in the soil and, accordingly, to increase crop production and yields. The primary nutrients are nitrogen, phosphorus, and potassium. According to the International Fertiliser Industry Association, the global production capacity of phosphoric acid amounted to 45 MT of P2O5 in 2023, Nitrogen represented 107 MT and potassium 35 MT.

The principal mineral used in the production of phosphate-based fertilisers is phosphate rock, which is mined and then processed to phosphoric acid using sulphuric acid and then mixed nutrient fertilisers using ammonia. The largest deposits of phosphate rock are found in Morocco, China, and Egypt. According to the USGS Report of January 2024, global reserves of phosphate rock stand at approximately 74 billion tonnes, with Morocco contributing 50 billion tonnes. The global trade market for phosphate rock, phosphoric acid and phosphate-based fertilisers was approximately 28.5 million tonnes P2O5 in 2023. The largest phosphate rock country producers are China, Morocco and the United States (though USA reserves are now comparatively small at c.1bn tons), accounting for approximately 42% of the global trade market for phosphate rock, phosphoric acid and phosphate-based fertilisers in 2022. The primary phosphate fertiliser products are DAP, which has a phosphate content of

approximately 46% and a nitrogen content of approximately 18%, and MAP, which has a phosphate content of approximately 52% and a nitrogen content of approximately 11%.

The demand for fertilisers is primarily driven by food and feed requirements, which are influenced by factors such as population growth, shrinking arable land per capita and changing diets in developing countries. With limited arable land available for cultivation, fertilisers play a crucial role in improving agricultural yields to meet growing food demand. In the long term, demand for phosphate fertilisers is set to increase by approximately 4 million tonnes from 2023 through to approximately 50 million tonnes P2O5 in 2027 and exceed 2020's record levels. This long-term growth in demand will be mainly driven by the need to increase crop production primarily due to the world's growing population, which is projected to increase to 9.7 billion people by 2050, an increase of around 26% from 2020, according to the UN. In addition, in light of the expected growth of the world's population and the expected reduction of available arable land per capita stemming in part from increased urban expansion and industrialisation, the area of arable land per capita decreased from 0.38 ha in 1970 to 0.25 ha in 2000, with a projected decline to 0.186 per capita by 2050, according to the FAO. As a result of the limited ability to expand the existing stock of arable land, it will be necessary to increase yields on the existing fields to improve crop yields and meet future anticipated demand for food, which in turn is expected to increase demand for fertilisers. Accordingly, the World Research Institute estimates that an increase of approximately 50% to 60% in global crop production will be required by 2050 to meet global food demand. In addition, an increase in per capita income, especially in emerging markets, such as Brazil, China, and India, is leading to changes in dietary habits.

Price competition in the fertiliser industry is intensive, driven by customer price sensitivity. OCP Group maintains a competitive edge through strategic positioning, price competitiveness, and low production costs. Leveraging its significant share of global phosphate rock reserves and vertical integration, OCP optimizes efficiency, reduces costs, and ensures consistent supply. The company also invests in innovation, sustainability initiatives, and renewable energy sources, positioning itself to capitalize on market trends towards environmentally friendly practices.

Regulations play a significant role, shaping industry practices and ensuring safety, efficacy, and fair competition. Governments worldwide impose regulations on production, distribution, and use, promoting environmental protection and fair competition. Market trends reflect a growing focus on sustainability, prompting companies like OCP to invest in renewable energy, waste management, and cleaner production technologies. Overall, the global fertiliser market is evolving in response to a range of economic, environmental, and social factors, and companies like the OCP Group are adapting to these changes by investing in new technologies and sustainable practices.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS

[REDACTED]

5.2 SENSITIVITY ANALYSIS

[REDACTED]

5.3 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorised B (2019 ESP). The Project involves the construction of two water desalination plants to meet the expansion needs of OCP's Jorf Lasfar and Safi fertiliser facilities and ensures that the industrial water intake is sourced 100% from seawater.

The Project is in line with Morocco's sustainability commitments to reduce the pressure on resources, following five consecutive years of severe drought in the country.

As part of the wider Programme, OCP is also expanding the desalination capacities to supply drinking water to the cities of El Jadida and Safi; and the water previously allocated to OCP will be repurposed to improve drinking water availability for communities in the Oum Er Rbia basin.

Environmental and Social Due Diligence was undertaken by independent consultants and comprised of a site visit to the Jorf Lasfar and Safi desalination plants, a review of the EHSS performance and procedures deployed across the fertilizer complexes, and an assessment of the E&S systems and arrangements at both the OCP and construction contractors level. Although not part of the EBRD financing package, a high-level E&S review was also undertaken of the underground water distribution pipeline connecting the desalination plants to the cities' storage reservoirs.

Construction of the two plants and their associated facilities is nearing completion and the ESDD has identified no material risks. Gaps that have been identified have been included in the E&S Action Plan which is currently under review and will be agreed with the Client prior to Board.

The ESDD showed that OCP's performance is generally in line with EBRD's PRs with robust environmental, social and health and safety systems in place. E&S Impact Assessments have been conducted for both desalination plants, and the ensuing E&S management plans for the construction phase have been adequately implemented by the Project proponents.

The brine generated will be mixed with seawater used for cooling units deployed across the fertilizer complexes, resulting in only 2% of the total volume to be discharged into the sea through existing outfall piping. The diluted brine discharged will therefore not impact marine life and resources.

Both plants are located within the current OCP industrial complex footprint; and the installation of water pipelines utilises the existing right of way, avoiding land acquisition and physical displacement. However, there is a potential for economic displacement due to crop damage generated during the construction phase. This has been solely addressed through case-by-case negotiations for fair compensation, despite the absence of a formal Livelihood Restoration Plan.

OCP has enacted stakeholder engagement measures aligned with PR 10 objectives, including conducting public inquiries in accordance with Moroccan regulations and disseminating the Projects' details through television programs and various media.

The ESAP, currently under review, includes actions relating to refining the Operational phase E&S Management Plans; appointing Community Liaison Officers at both plants; development of a formalised Livelihood Restoration Plan; expanding on brine discharge testing parameters; etc.

A Non-Technical Summary and Stakeholder Engagement Plan are being developed for the Project and will be disclosed on EBRD's website prior to the Board meeting.

6.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was undertaken on the Borrower, 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.

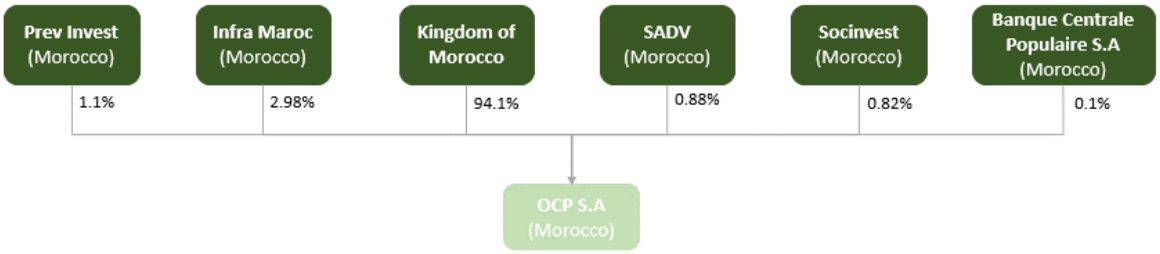
6.3 OTHER ISSUES

[REDACTED]

ANNEXES TO OPERATION REPORT

ANNEX 1	Shareholding Structure
ANNEX 2	Green Assessments
ANNEX 3	Project Implementation

ANNEX 1 – SHAREHOLDING STRUCTURE



ANNEX 2 – GREEN ASSESSMENTS

SUMMARY The Project is for the construction of seawater desalination modules on the existing OCP industrial sites in Safi and Jorf.ca

- 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

For Direct finance projects

Alignment with the mitigation goals of Paris Agreement – specific assessment

- NDC review. NDCs and LTSs and other related policy plans: The proposed desalination project is proposed specifically to respond to the National Regional Emergency Plan: a strategy that is established specifically to address the water crisis in Morocco now and in the future in the face of climate change. Investment in water desalination capacity is also specifically addressed in the latest update of Morocco's NDC.
- LCP review. Consistency with LCPs and other credible benchmarks: As per the latest proposed Paris alignment guidance for 'Desalination for municipal use' (which in this case is being applied to industrial use of desalinated water):

Guidance	Project OCP Desalination
1. The desalination plant will use high energy performance technology.	High energy performance (3-4 kWh/m3) confirmed by ESDD consultant
2. Opportunities for low-carbon energy sources have been explored and, where technically and financially viable, incorporated into the design.	30-50% of the desalination power requirements will be covered by waste heat co-generation which is a by-product of the on-site sulphuric acid production. OCP has further committed covering 100% of its electricity needs through clean sources (renewables and co-gen) by 2027.

- Carbon lock-in tests. As per the latest proposed Paris alignment guidance for 'Desalination for municipal use' (which in this case is being applied to industrial use of desalinated water):

Guidance	Project OCP Desalination
1. Demand side water-efficiency measures (both structural and non-structural), such as leakage reduction and tariff adjustments.	OCP has been prioritising water management practices and efficiency and sustainable use of water at their operations, Safi and Jorf being their largest processing sites. In 2022, the group achieved a 15% reduction in total water consumption compared to the previous year, and has set goals to further reduce water consumption by 2026. Water use and targets are reported annually via OCP's CDP climate change disclosures.
2. Supply side measures, such as increased fresh-water imports and storage.	OCP group has an industrial water program, the objective of which is to ensure that OCP water needs are entirely met by non-conventional water resources, thereby mitigating the risk of water

	scarcity in the region and preserving conventional resources for local communities. Non-conventional water sources (treated wastewater and desalinated seawater) will cover 100% of OCP's needs by 2026.
3. Circular water management principles, such as wastewater reuse.	The project incorporates circular water management principles into its design, by routing the desalination brine (waste) into the existing sea water cooling circuit, hence reducing the brine discharge back into the sea. As also mentioned under supply side measures, OCP is committed to meeting their water needs from non-conventional sources, which includes reuse of treated wastewater.

- Economic assessment [if it is required]. For projects with high greenhouse gas (GHG) emissions.

As per Section A3.5 of the Paris Alignment methodology, *"…whereas an economic viability test can be readily conducted in some sectors to arrive at robust conclusions, there will be significant uncertainties around the conclusions of economic viability tests in other sectors – in particular, those in which prices are substantially deregulated and there are significant cross sectoral effects (that will often be cross-country). Examples of sectors in which this is the case are* ***industry, mining of commodities****, food production and airlines."*
Given the above guidance, and the strong evidence for Paris alignment that is already provided by the specific assessment, an economic viability test would not be additionally informative and hence the project is determined to be aligned to the mitigation goals of the Paris Agreement.

Alignment with the adaptation goals of Paris Agreement

The project is determined as aligned with the adaptation goals of the Paris Agreement as no material physical climate risks were identified during the screening process**.** The project is associated with a large increase in water demand, however, as this will be met by seawater, negative impacts on the climate resilience of the wider system are not applicable for the purposes of BB2 step 3.

GET ATTRIBUTION
The Project is attributed 100% GET. This share has been calculated in line with Annex 4 and Annex 5.4 of the GET handbook:

Climate change adaptation

As the primary objective of the project is climate adaptation - in responding to the National Emergency Plan to address Morocco's water crisis by prioritising desalination and conserving freshwater resources and the project enables climate resilience beyond OCP's operations by safeguarding water resources in nearby municipalities, the project is eligible for 100% adaptation GET, subject to meeting the below specific criteria for desalination projects.

GET finance for desalination projects
As per Annex 5.4, there are further eligibility criteria that apply for desalination projects in order to qualify for GET finance:

Benchmark/Criteria	**Project OCP Desalination**
Energy demand per unit of fresh water generated must not exceed 5 kWh/m3	High energy performance (3-4 kWh/m3) confirmed by ESDD consultant
CO2 intensity per unit of fresh water generated must not exceed 1.9 kg CO2/m3	CO2 intensity per unit of fresh water is estimated to be below **1.53 kg CO2/m3**. This

*Note – this benchmark is proposed to be reduced to 1.08 kgCO2/m3 in the next version of the GET handbook. Consultation was ongoing at the time of writing this.	is based on a worst case scenario, assuming energy consumption of 4 kWh/m3, 30% of energy requirements coming from a low-carbon source (waste heat co-gen), and the remaining 70% coming from the grid at 0.547 kgCO2/kWh. The CO2 intensity of the desalinated water will be lower than GET handbook benchmark, and will be 0 when OCP meets its commitment to cover 100% of its electricity needs with clean sources (renewables and co-gen) by 2027. The boundary of this assessment includes desalination, pumping and brine disposal and is in alignment with the latest proposed guidance for desalination projects.
Will the additional water be delivered to a water-stressed area where water stress is expected to increase as a consequence of climate change? For example, is annual water availability per capita less than 1,700 m3/cap/year?	Morocco is a water-stressed country – availability per capita is 790 m3/cap/year. The project will serve OCP's industrial needs and local municipalities, displacing the equivalent volume of freshwater that would otherwise be used to support these demands in a highly water stressed context.
Does the amount of additional water make a significant contribution towards alleviating local water stress? For example, providing at least 25 per cent of the local water deficit (m3/year).	Not applicable to use of proceeds (desalination for industrial use). However, the wider project and supply of water to municipalities makes a significant contribution towards alleviating local water stress.
Is the water produced used in an efficient manner? Does it not fuel additional, non-essential water demand, for example, due to inadequate water pricing?	Not applicable in the context of water for industrial use. See Paris alignment evidence related to OCP's efficiency of water use.

[REDACTED]

ANNEX 3 - PROJECT IMPLEMENTATION

Procurement classification – *Private*

Procurement arrangements:

OCP S.A. is a state owned-public limited liability company incorporated in Morocco. The project is classified as private for procurement purposes. The private classification has been made on the basis that OCP S.A meets the requirements of Article 3.3 of the Bank's Procurement Policies and Rules (PPR) which states that, in agreement with the Bank, the procurement by Utilities, agencies or enterprises, which are majority owned or controlled by national or local governments in a country of operation, shall be subject to the procurement rules for a Private Sector Operation as set out in Section III, Article 4, if the Bank determines that such Utilities, agencies or enterprises: (a) are not required to apply national procurement laws; (b) follow sound procurement policies and practices; and (c) operate competitively, meaning they (i) operate autonomously in a competitive market environment and (ii) are subject to bankruptcy and insolvency laws. The Bank's due dilligence has determined that these conditions are met in full.

The procurement processes applied to the contract for the Desalination Plant to be financed under the project have been reviewed by the Bank and have been determined to be consistent with Article 4: Procurement Rules for a Private Sector Operation of the Bank's PPR. The Bank is satisfied that OCP S.A uses appropriate procurement arrangements which ensure a sound selection of goods, works and services at fair market prices and achieve value for money.