

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

Approved by the Board of Directors on 9 September 2025¹

TUNISIA

Project CAPSA

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

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¹ As per section 1.4.8 of EBRD's Directive on Access to Information (2024), 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

ACAP	Anti-Corruption Action Plan
BNA	Banque Nationale Agricole
BPS or bps	Basis Points
C. or c.	Circa
CAGR	Compound Annual Growth Rate
CDP	Corporate Development Programme
CGAP	Corporate Governance Action Plan
CNRPS	Caisse Nationale de Retraite et de Prévoyance Sociale
CP	Condition Precedent
CPG	Compagnie des Phosphates de Gafsa
DAP	Diammonium Phosphate
GBVH	Gender-based violence and harassment
GCT	Groupe Chimique Tunisien
GET	Green Economy Transition
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
e.g. or eg	exempli gratia (for example)
E&S	Environmental and Social
ESAP	Environmental and Social Action Plan
ESG	Environmental, Social and Governance
ESIA	Environmental and Social Impact Assessment
ESP	Environmental and Social Policy
ETI	Expected Transition Impact
EU	European Union
EUR	Euro
FDI	Foreign Direct Investment
FIDIC	International Federation of Consulting Engineers
FX	Foreign Exchange
FY	Financial Year
GDP	Gross Domestic Product
HS	Harmonized System
IFI	International Financial Institutions
IFRS	International Financial Reporting Standards
LCP	Low Carbon Pathway
MAP	Monoammonium Phosphate
Mm3/y	Million cubic meters per year
mtpa	million tonnes per annum
NDC	Nationally Determined Contributions
NPK	Nitrogen-Phosphorus-Potassium
OCP	Office Chérifien des Phosphates
OSH	Occupational Health and Safety
PIS	Project Implementation Support
PIU	Project Implementation Unit
PP&R	Procurement Policies and Rules
PSD	Project Summary Document
PSIU	Project Support Implementation Unit

RAROC	Risk-Adjusted Return On Capital
SNCFT	Société Nationale des Chemins de Fer Tunisiens
SSF	Shareholder Special Fund
STB	Société Tunisienne de Banque
STD	Standard Tender Documents
TC	Technical Cooperation
TI	Transition Impact
TIFERT	Tunisian-Indian Fertiliser Company
TND	Tunisian Dinar
USA	United States of America
USD	United States Dollar
YoY or yoy	Year on Year
%	Per cent

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of Compagnie des Phosphates de Gafsa (“CPG” or the “Company”), a state-owned mining company incorporated in the Republic of Tunisia, are submitted for consideration by the Board of Directors.

The facility consists of an up to EUR 110 million loan (the “Loan”) to the Company guaranteed by the Republic of Tunisia. The operation is designed to enable CPG to double its phosphate production in the next years and materially improve its water management practices, including a reduction in water consumption by nearly 50%. Alongside the Bank’s financing, a comprehensive technical assistance package has been established to support the modernisation of CPG's operations, governance, and practices in environmental, social, health and safety areas. Additionally, this assistance seeks to engage with the Government of Tunisia to strengthen the regulatory framework and promote private sector participation. The Bank’s investment will also support the development of a Low Carbon Pathway, reinforcing Tunisia’s broader climate and industrial transition objectives.

The primary transition quality of the project is **Well-Governed**, as it aims to introduce a comprehensive economic governance framework within the phosphate sector. At the corporate level, the project will support governance and institutional reforms at CPG by strengthening key functions, including procurement, financial management, corporate governance, EHS, and human resources. The secondary transition quality of the project is **Green**, as it will contribute to decarbonisation efforts through the deployment of more energy-efficient mining equipment and enhancements in water efficiency. These measures are aligned with Tunisia’s broader sustainability agenda and energy transition commitments. At the sector level, the Bank will engage in policy dialogue with the Ministry of Industry, Mines and Energy to develop a Low Carbon Pathway for the phosphate mining industry and to enhance the regulatory framework, thereby fostering an environment conducive to increased investment.

While the project and the associated Technical Cooperation (“TC”) support will deliver substantial environmental and social improvements to CPG’s operations and the surrounding environment, Board approval is sought for a derogation from the Environmental and Social Policy regarding full alignment of existing operations with the Bank’s Performance requirements. [REDACTED]

The TC support for this operation is expected to be provided by the EBRD Shareholder Special Fund, the EBRD Southern and Eastern Mediterranean Multi-Donor Account and potentially the High Impact Partnership on Climate Action Fund.

I am satisfied that the operation is consistent with the Bank’s Strategy for Tunisia (2018-2023), the Mining Strategy (2024-2028), the 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

TUNISIA – CPG Modernisation Project - 55930	
Transaction / Board Decision	Board approval ² is sought for a loan (the “Loan”) of up to EUR 110 million in favour of Compagnie des Phosphates de Gafsa (the “Company”, the “Borrower”, or “CPG”), a state-owned mining Company incorporated in Tunisia. The Loan will be guaranteed by the Republic of Tunisia. The Loan will finance the acquisition of new and more efficient mining equipment, as well as the implementation of a more efficient water management system to increase water recycling levels and improve environmental practices. In particular, the Loan will finance: (i) the acquisition of new mining machinery and equipment [REDACTED]; and (ii) water management systems investments: new or upgraded thickeners; water press filtration systems; as well as dry stacking facilities for tailings disposal [REDACTED].
Client	CPG is one of the largest employers in the country and the sole producer of phosphate rock, operating ten mining sites in the Gafsa region. The ultimate beneficial owner of the Company is the Republic of Tunisia, which holds 100% of the share capital through the Ministry of Industry, Energy, and Mines.
Main Elements of the Proposal	Transition impact: (i) Well-Governed: The Loan will support corporate governance reforms at CPG, strengthening procurement, financial management, corporate social responsibility (“CSR”), human resources, and EHS practices. (ii) Green: The operation will finance water recycling investments to increase reuse rates [REDACTED]. Additionally, policy dialogue with the Ministry of Industry, Mines and Energy will aim to establish a Low Carbon Pathway and enhance the mining regulatory framework to attract further investment. Additionality: (i) Financing structure via long-term financing currently not available on the market. (ii) Risk mitigation / Standard-setting: EBRD will help CPG improve its governance, efficiency of its mining operations, financial reporting, EHS practices and water management. The Project will also support ESG risk mitigation, bringing CPG’s operations closer to international best practices in mining sustainability. Sound Banking: CPG is Tunisia’s sole phosphate producer, playing a strategic role in the country’s economy. The Project will further enhance CPG’s competitiveness by reducing operational costs, improving resource efficiency, mitigating environmental risks, and promoting long-term financial sustainability in a competitive market.
Key Risks	[REDACTED]
Strategic Fit Summary	The Project is consistent with the Bank’s Strategy for Tunisia (2018-2023), the Mining Strategy (2024-2028), the Green Economy Transition Approach (2021-2025), and with the Agreement Establishing the Bank.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	A sovereign guaranteed loan of up to EUR 110 million in favour of CPG, guaranteed by the Republic of Tunisia, to support the modernisation programme of the Company’s phosphate mining operations.
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² Article 27 of the AEB provides the basis for this decision.

Existing Exposure	None to CPG. The Bank's sovereign portfolio exposure to Tunisia amounts to EUR 812 million [REDACTED].
Maturity / Exit / Repayment	The Loan will have a 10-year tenor [REDACTED].
Potential AMI eligible financing	None.
Use of Proceeds - Description	The Project comprises: (i) the acquisition of new mining machinery and equipment; and (ii) investments in new or upgraded thickeners, water press filtration systems, and dry stacking facilities for tailings disposal (the "Project").
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	The Borrower: CPG The Guarantor: Republic of Tunisia
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	Sovereign guarantee.
Associated Donor Funded TC and Blended Concessional Finance	A. Technical Cooperation ("TC") <u>Due Diligence:</u> TC1: Technical Due Diligence: [REDACTED] Completed. TC2: Environmental Due Diligence: [REDACTED] Completed. TC3: Advanced Procurement: [REDACTED] Completed. <u>Sector Reform</u> TC4: Low Carbon Pathway for Phosphate and Fertilisers Sectors [REDACTED] TC5: Phase 1 - Policy Development and Finalisation of New Mining Code [REDACTED] <u>Corporate Reform</u> TC6: Support for Implementation of CPG's Corporate Governance Action Plan and Development and Implementation of Anti-Corruption Action Plan [REDACTED] TC7: Operational Transformation Programme [REDACTED] TC8: Review of Tailings and Process Water Management System [REDACTED] TC9: Supervision and Implementation of Environmental and Social Action Plan [REDACTED] TC10: Health and Safety Systems and Training Programme [REDACTED]

TC11: Programme Coordinator to support implementation of the programme [REDACTED] TC12: Corporate Development Programme [REDACTED] TC13: Procurement and Contract Administrative Support [REDACTED] B. Blended Concessional Finance: N/A			

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

The global phosphate industry plays a critical role in ensuring food security and sustainable agriculture, as phosphate rock is a key input for fertiliser production. With increasing demand for fertilisers driven by population growth, changing dietary patterns, and soil depletion, the efficient and sustainable extraction of phosphate has become a strategic priority. Phosphate rock is listed among the EU's 34 Critical Raw Materials ("CRMs") as of the 2023 update under the EU Critical Raw Materials Act. Tunisia, historically one of the world's key phosphate producers, is well-positioned to contribute to the global supply chains. [REDACTED]

Tunisia's phosphate sector is represented by two state-owned enterprises, with CPG responsible for 90% of phosphate extraction and Groupe Chimique Tunisien ("GCT") processing it into derivatives such as phosphoric acid and fertilisers. [REDACTED]

CPG, in coordination with the Ministry of Energy and Mines and the Ministry of Economy, has requested the EBRD to provide financial and technical cooperation support (the "TC Package") to address immediate operational challenges and promote long-term sustainability. In particular, the Bank will provide (i) a loan of up to EUR 110 million to finance the acquisition of modern mining equipment, improve water management [REDACTED] enhance environmental practices, and scale up annual production [REDACTED]; and (ii) a EUR 7 million TC Package aimed at strengthening CPG's institutional capacity, operational efficiency, and environmental performance, while also supporting the Ministry of Energy and Mines in modernising the sector's regulatory framework.

Tunisia's mining sector is governed by the 2003 Mining Code, which is currently being reviewed by the Ministry of Energy and Mines with future support from the Bank. Concurrently, the Government has signalled its commitment to gradually opening the sector to private investment. This commitment was translated into action through the award of the country's first-ever exploration mining licence to PhosCo, a fully foreign Australian private sector operator, in March 2025. This marks an important initial step toward encouraging private sector participation, in alignment with the Project's policy dialogue objectives.

The EBRD's support marks a strategic entry point for modernising Tunisia's phosphate and mining sector, in line with the Government's goal of strengthening the value chain and boosting competitiveness. Anchored in efficiency, sustainability, and governance, the Project lays the groundwork for broader reforms and future investments including from the Bank. In close coordination with the Ministry of Industry, Mines and Energy, the Bank aims to position the Project as a model to attract further public and private investment.

The Project is consistent with the Bank's Strategy for Tunisia (2018-2023), which prioritises supporting economic competitiveness, improving governance, and promoting green economy initiatives. Additionally, the Project aligns with the Bank's Mining Sector Strategy (2024-2028), supporting investments in responsible and sustainable mining practices. Finally, the operation addresses the objectives of the Bank's Green Economy Transition ("GET") framework by enabling decarbonisation and water efficiency improvements in mining operations, contributing to Tunisia's broader climate and environmental commitments.

1.2 TRANSITION IMPACT

Primary Quality: Well-Governed

Obj. No.	Objective	Details
1.1	<i>The project will support the client's compliance with EBRD procurement standards which go beyond the country's legal requirement. The new standards will through this project be extended to all the client's operations</i>	The Project includes measures to introduce international procurement standards at CPG, aimed at improving transparency and efficiency in its operations. These new procurement standards will significantly improve transparency by ensuring that all procurement decisions are documented, auditable, and free from undue influence. EBRD's engagement will result in: (i) development of the procurement manual; (ii) capacity building of staff in open international competitive tendering, aligned with IFIs tender process standards and using FIDIC contracts models; (iii) improvement of the staff's capacity in dispute settlement. New standards will be applicable to purchases made with proceeds of the EBRD loan. By increasing competition and standardising evaluation criteria, the Company is likely to achieve cost savings and secure higher-quality inputs for its operations.
1.2	<i>The Project entails a policy dialogue initiative that has been assessed as Excellent by the sector economist.</i>	The EBRD Policy package will be structured as a Sector and Corporate Reform Roadmap that will aim to drive reforms at two levels: at the corporate level ("CPG") and at the government level. Reforms at the government level will lead to the preparation and implementation of the revised Mining Code and Mining Strategy. The aim of this engagement is to support the Ministry of Industry, Mines and Energy in the modernisation of the sector level policy, regulation and governance to reduce investment risk and, thereby attract more investment, particularly into exploration activities. This will be achieved by adoption and implementation of international best practice policy approaches, laws and working methodologies through (i) review of the new mining code that lays down legal framework for exploration and mining activities in the country and support implementation of the required legal changes, and (ii) adoption of the national mining strategy for the development of the sector, and support implementation of the required legal changes.

Secondary Quality: Green

Obj. No.	Objective	Details
2.1	<i>The percentage of EBRD use of proceeds that supports a green economy transition and therefore qualifies as GET finance is 15% or higher.</i>	The Project includes two core investment areas: (i) water-related infrastructure to improve resource efficiency and environmental compliance, and (ii) the acquisition of new mining equipment to enhance operational performance. These investments form part of a broader modernisation effort aimed at restoring production capacity and improving the overall sustainability of CPG's. Water-related components include investments in new or upgraded thickeners; water press filtration systems; as well as dry stacking facilities for tailings disposal. As a result of the Project implementation, fresh water extracted per year will decrease from current level [REDACTED].
2.2	<i>This Project involves a good policy engagement, which is new and aims to deliver institutional reform and lead to structural changes across sectors/markets.</i>	As a part of the TC package, the Low Carbon Pathway for phosphate and fertilizers sector in Tunisia ("LCP") will be prepared in close collaboration with the government representatives and key industrial stakeholders (incl. CPG and GCT). The assessment of the current climate risks and GHG emissions of the sector will inform preparation of the mitigation pathways and action plans that will include clearly identifiable regulatory measures and corporate investments that will enable the sector to adapt to climate change and reduce its impact on climate, especially through reduction of GHG emissions.

Delivery risks: The key risk to achieving Transition Impact is the potential for implementation delays, particularly given the scale and sequencing of the technical cooperation package at CPG. Timely delivery of these activities is critical to realising the intended reforms in governance, operations, and environmental performance. To mitigate this risk, the Bank has initiated advanced procurement of priority assignments to ensure early mobilisation and avoid downstream bottlenecks. Continued coordination among the Bank, consultants, and CPG, alongside management engagement, will be essential to maintaining momentum. Timely confirmation of donor funding will also be important to ensure uninterrupted delivery.

1.3 ADDITIONALITY

Identified triggers	Description
No triggers identified.	n/a

Additionality sources	Description of additionality sources
Financing structure EBRD offers a tenor, which is longer than available to the Company in the market on reasonable terms and conditions.	EBRD offers a longer tenor financing of up to 10-year tenor that is currently not available to the Company from commercial lenders.
Risk mitigation: EBRD helps the Company to mitigate carbon transition risks and take climate action, such as to move along a low carbon transition pathway. EBRD helps the Company to mitigate physical transition risks and take climate action, such as to identify and manage physical climate risks and build resilience to them. EBRD helps the Company to mitigate climate governance risks and take climate action, such as to improve its internal corporate governance for managing climate risks. EBRD helps the Company to mitigate environmental, social and governance (“ESG”) risks through identification of risks related to the depletion of natural capital assets, raw materials and water availability, etc., and to manage these risks.	EBRD supports the preparation of a Low-Carbon Pathway that will inform Company commitments on GHG emissions reductions and provide the Company with climate risks assessment. The Project will also align with the EBRD’s Environmental and Social Performance Requirements and implement measures identified in Environmental and Social Action Plan, related especially to water resources protection.
Policy, sector, institutional, or regulatory change: EBRD’s involvement in a project is considered additional when it is designed to trigger a change in the policy, sector, institutional or regulatory framework, or enhance practices at the sector or country level (e.g., an introduction of cost-reflective pricing of energy, water etc.)	The Project aims to improve economic governance in the mining sector by reviewing the mining code, implementing legal changes, and adopting the first national mining strategy. At a corporate level, the TC support will assist CPG in enhancing operational efficiency, and strengthening governance and environmental standards. A key focus is addressing long-standing corporate governance weaknesses through a specific Corporate Governance Action Plan. Although CPG has embarked on a modernisation strategy and established a Governance Unit, its implementation capacity remains limited. The Bank’s TC programme aims to bridge this gap by supporting governance reforms, operational improvements, and stakeholder engagement, thereby reducing community challenges and enhancing the Company’s overall performance and competitiveness. The Project will also involve preparing the Low Carbon Pathway for the Tunisian phosphate and fertiliser sectors. This pathway will help define the decarbonisation trajectory and required actions for CPG and other companies in these industries.

Standard-setting: helping projects and Company's achieve higher standards: Company seeks/makes use of EBRD expertise on best international procurement standards.	EBRD's engagement will aim to align Company's procurement processes with international standards (IFIs; FIDIC) and build staff capacity to run open competitive tenders for the purchases made with the proceeds of the EBRD loan and all future projects.
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1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Environmental and Social Risk	High / High	[REDACTED] Mitigating factors: An Environmental and Social Action Plan ("ESAP") has been developed to address risks and impacts and improve CPG capacity, management systems and performance. TC assignments focussing on ESAP implementation and support and on Health and Safety has been added to this Project to help CPG address E&S risks and impacts and improve E&S performance and management capacity aim to deliver the Project in line with Bank's E&S requirement and bring existing operations closer to such standards focussing on priority areas. Furthermore, as a result of the Bank's investment, CPG will extract less underground water per tonne of ore processed [REDACTED] once filter presses are installed and water recovery is optimised. [REDACTED] Optimising the water recycling levels is a pre-requisite to further long-term water solutions such as a potential desalinisation plant.
Technical / Implementation Risk	Medium / High	<i>CPG operates with outdated equipment and infrastructure with limited maintenance. Production rates, once high and stable, have been non-linear due to inter alia underinvestment.</i> [REDACTED] Mitigating factors: The Bank's due diligence has confirmed that CPG has the technical experience and manpower to implement the Project. A new SAP maintenance scheduling system is being introduced to enhance equipment reliability. A comprehensive suite of test work, hydrogeological studies, and process optimisation exercises is planned to address these technical challenges. [REDACTED]
Borrower Financial / Management Strength	Low/Medium	[REDACTED]

2. MEASURING / MONITORING SUCCESS

TI indicator(s), primary Quality: Well-Governed

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Improved procurement standards [Donor TC]	1. Adoption of a new procurement procedure for open international competitive tendering, aligned with IFIs tender process standards and using FIDIC contracts models. 2. Implementation of the dispute settlement	No	Yes	[REDACTED]

		mechanism. 3. Evidence is provided that the new procurement procedure is used in all new contracts [REDACTED] after the adoption of the procedure.			
1.2	Legal, institutional or regulatory frameworks in target areas improved [Donor TC]	Adoption of the new mining code and strategy by the parliament of Tunisia	No	Yes	[REDACTED]
1.3	Improved reporting standards [Covenanted] [Donor TC]	Company starts reporting in accordance with IFRS [REDACTED]	No	Yes	[REDACTED]
1.4	Corporate governance improved: Structure and Functioning of the Board [Covenanted] [Donor TC]	1. Creation of the Executive Committee of the Board. 2. Establishment of the nomination criteria for Board members. 3. Establishment of a Risk Committee with remit covering operational, environmental, and compliance risks.	No	Yes	[REDACTED]
1.5	Practices of the relevant stakeholder improved anti-corruption action plan) [Covenanted] [Donor TC]	1. Expansion of the Audit Committee's remit to include financial reporting oversight, internal control systems, compliance and anti-corruption monitoring and strengthen internal audit independence, with a direct reporting line to the Audit Committee. 2. Development and adoption of a Conflict of Interest Policy and Code of Conduct.	No	Yes	[REDACTED]
1.6	Recommended policy or strategy or regulatory framework/ standard agreed by relevant stakeholder(s) [Donor TC]	New mining code has enabled at least one new private investment in the Tunisian mining sector.	No	Yes	[REDACTED]

TI indicators, secondary Quality: Green

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
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2.1	Water use (m3/year) [Donor TC]	The installation of new water filtration systems and thickeners will enable the Company to increase the re-use water rates, thereby reducing the amount of fresh water used and wastewater produced per tonne of ore processed. [REDACTED] This increase in production will be facilitated by investments in new mining equipment financed by EBRD, along with water-related investments. [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Recommended policy or strategy or regulatory framework/ standard agreed by relevant stakeholder(s) [Donor TC]	LCP for phosphate and fertiliser sectors finalised and endorsed by the government of Tunisia and key industrial stakeholders (CPG, CGT). CPG will adopt a decarbonisation plan informed by the LCP.	No	Yes	[REDACTED]

3. KEY PARTIES

3.1 BORROWER

Compagnie des Phosphates de Gafsa is a state-owned enterprise and historically one of the world's leading phosphate producers, with operations dating back to 1897. The Company plays a strategic role in Tunisia's economy, particularly in the Gafsa region, where it serves as a major employer and a driver of regional development. CPG currently operates ten open-pit mines and eight washing plants, all located within a 50-kilometre radius of Gafsa. The washing plants are essential to the production process, converting run-of-mine³ ore into phosphate concentrate through crushing, screening, scrubbing, desliming, and filtering. While the Company has an installed production capacity exceeding 8 million tonnes per year, actual output has declined in recent years due to operational and social disruptions, falling to 3.2 million tonnes of concentrate in 2024. Approximately 80% of this output is supplied to Groupe Chimique Tunisien ("GCT"), a downstream state-owned responsible for converting phosphate concentrate into phosphoric acid and fertilisers. The remaining 20% has historically been split equally between exports and Tunisian/Indian Fertiliser company ("TIFERT"), a joint venture with public and private ownership. Logistics are managed through a combination of road and rail transport. Ore is hauled by truck from the mines to the washing plants, while the final product is transported by either road or rail to GCT's facilities or to the export port of Gabès, which is Tunisia's main terminal for handling phosphate and fertiliser products. The washing plants operate with ageing infrastructure. The largest facility, Kef Eddour, accounts for approximately 50% of total concentrate production. Most tailings are still discharged into non-engineered paddocks or directly into the environment, posing substantial environmental risks.

CPG operates an extensive mining fleet comprising over 150 haul trucks and excavators, many of which are between 10 and 20 years old and face challenges related to low spare parts availability. Major overhauls are carried out at a central maintenance hub, and the Company is currently in the process of

³ Run-of-mine (ROM) ore refers to the raw, unprocessed material as it is extracted directly from the mine, before any crushing, screening, or beneficiation. It typically includes a mixture of valuable minerals and waste rock.

upgrading to a modern, system-based maintenance scheduling platform. During 2025–2026, CPG plans to replace a portion of its mobile fleet and install filter press systems across all washing plants to enhance water recovery and reduce environmental impact. The Company also aims to improve the availability of its washing plants and optimise water usage, both of which are critical to the long-term sustainability of operations given increasing pressure on regional aquifers.

Currently, CPG extracts approximately 5.6 million cubic metres of water annually to support production levels of 3 million tonnes, with recycling rates ranging between 65% and 71%, depending on the washing plant. Following the acquisition of new mining equipment, CPG is expected to increase production levels to 6 million tonnes per annum, and as a result water demand could rise to 6.6 million cubic metres annually, exacerbating pressure on already over-exploited aquifers in the Gafsa region, where water extraction currently exceeds natural recharge by up to 40%. The planned installation of filter press systems is expected to increase water recycling to 90%, significantly reducing net water withdrawals - in absolute terms and per tonne of ore processed - mitigating the environmental impact on local groundwater resources. These investments are considered a necessary first step toward longer-term water solutions, including the potential integration of desalination or treated water reuse in the future.

In particular, fresh water extraction per year is currently 5.7Mm³/y. After Project implementation, this will reduce to 3Mm³/y (i.e. 47% reduction) at production levels of 6mtpa. In other words, 1.17m³ per ton of ROM to 0.33m³ per ton of ROM. The net impact in terms of water savings is therefore a 47% reduction in freshwater extraction, even with the increased production.

3.2 FINANCIAL HIGHLIGHTS

[REDACTED]

3.3 GUARANTOR

The Loan will be guaranteed by a sovereign guarantee from the Republic of Tunisia. [REDACTED]

The sovereign guarantee for this financing is aligned with Tunisia's broader economic strategy aimed at attracting foreign investment, stabilising industrial production, and increasing export revenues. The Ministry of Finance has reaffirmed its commitment to implementing fiscal and structural reforms in collaboration with international financial institutions, including the World Bank, EIB and EBRD in order to address macroeconomic imbalances and support sustainable growth. The guarantee also forms part of the government's wider efforts to strengthen the financial governance of state-owned enterprises and reinforce Tunisia's strategic position as a leading global phosphate producer.

4. MARKET CONTEXT

Global Market: In 2024, global production reached 220 million tonnes, down from 233 million tonnes in 2023. Five countries together account for nearly 80% of this global output. Reserves are highly concentrated, with Morocco holding 67% of global reserves as of 2024. Tunisia holds around 3.4%, making it a smaller but still relevant producer, approximately 4th largest reserve in the world. Leading exporters include Morocco, China, Russia, the United States, and more recently Saudi Arabia. Major importers include India, Brazil, and the United States. Long-term demand is expected to grow, driven by rising global population, food demand, and the expansion of crops for bioenergy, particularly in Asia and the Americas.

Tunisian Market: Tunisia produced 3.6 million tonnes, or about 1.6% of the global total, which is far below its pre-2011 average of 8 million tonnes. In 2023, exports of phosphate-based products reached 694 million US dollars. Raw phosphate rock represented only 4% of export revenues. However, Tunisia's phosphate production has fallen sharply over the past decade. In 2023, India was Tunisia's largest customer, accounting for 35% of phosphate-related export earnings, followed by the European Union (20%), the United States (15%), and Türkiye (12%).

Regulatory Framework and Reform: Mining activity in Tunisia is currently governed by the Mining Code, last revised in 2003. The existing legal framework is undergoing a comprehensive reform process. In 2024, the Ministry of Industry and Energy, launched a review of the Mining Code aimed at modernising the regulatory environment, enhancing transparency, and attracting greater private investment. A mining strategy is also under development.

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

Category B (2019 ESP). The Project involves financing new mining vehicles and plant, as well as investments into water, and waste, management infrastructure, including tailings (mine waste material) thickeners, tailings filter presses and dry stack tailings facilities, at all Company processing facilities (wash plants). The mining fleet would support increasing production back to previous production levels and beyond. The thickeners and filter presses will significantly increase water recovery and reuse in an area already under high water stress and further stop the unabated discharge of tailings directly into the environment (into wadis), which is occurring at two wash plant sites. A move to dry stack tailings is in line with good international practice for mine waste disposal and reduces risks, such as health and safety, associated with slurry-based tailings facilities. EBRD's investments will be coupled with extensive TC support for Project implementation, improving health and safety and supporting the implementation of an ESAP. The ESAP draws upon E&S due diligence, which was conducted by a consultant and ESD.

The due diligence confirmed the clear and significant benefits of the Project, particularly associated with the water and waste management infrastructure, but also determined that the Company's existing operations are associated with significant E&S risks and impacts that are not currently managed or mitigated in line with the Bank's requirements or good international practice. These include: high levels

of groundwater use and competition with local users for such resources; air quality and noise issues particularly where processing infrastructure are located in proximity to local communities; discharges of tailings to the environment; sub-standard tailings management and disposal; legacy impacts and land degradation; community health and safety impacts; and health and safety impacts and risks to workers. E&S impacts from the Company's operations have been reported in the media and by civil society. There have also been various protests and strikes although these are mostly related to community expectations for employment, noting the Company is the main employer in the Gafsa region with few other options for employment. Further, the Company's E&S management provisions and resources are substantially inadequate: limited impact assessments are conducted for new infrastructure; there is no environmental and social management system; the health and safety management is rudimentary with limited structure and mitigants in place (systems, protective equipment, physical controls, etc.); HR provisions refer solely to the labour code (it is noted that a labour union is in place); and there is no function in place to engage with communities or respond to grievances. There are also risks associated with a key off taker of phosphate from the Company, Groupe Chimique Tunisien (GCT), which has been reported to have poor environmental practices, including pollution of the marine environment in Gabes. It is understood that various lenders and the Government have sought to address priority impacts associated with GCT.

The ESAP includes a series of actions which align the Project, i.e. use of proceeds, with EBRD's E&S requirements and which further seek to address E&S risks and impacts at existing operations and build Company capacity and associated management systems. However, the extent of interventions necessary to fully align existing operations with the Bank's E&S requirements are significant and while the Project, TC support and the ESAP will bring about significant E&S improvements, it is unlikely that existing operations will be brought fully in line with the Bank's E&S requirements during the tenor of the Loan. This is due to the requirements for longer-term resources and expenditure by the Company to address legacy issues and meeting good international practice in the management of E&S issues. Future EBRD financing would support continued efforts to align with the Bank's requirements, but for the purposes of this first Project, Board approval is sought for a derogation from paragraph 3.3 of the ESP. Paragraph 3.3 sets out that where projects involve the modernisation or upgrade of a Company's existing facilities, and where such facilities do not meet the PRs, that the Company will adopt an ESAP to achieve compliance of such facilities with the PRs within a timeframe acceptable to the EBRD. The ESAP is currently being negotiated with the Company and will be agreed before Board. [REDACTED]

Key ESAP actions include the following:

- Regular E&S reporting to the EBRD.
- Impact assessments for the Project and any associated land take
- Development of an E&S and Health and Safety management system to manage the Project and then to extend to all operations.
- Designation/appointment of E&S staff, including for community liaison, and training.
- Alignment of HR provisions with PR2, including formal worker grievance mechanism.
- Supply chain risk assessments
- Comprehensive assessment of water resources and requirements and development of a water balance.
- Contamination investigation of tailings discharges and remediation plan
- Development of new tailings facilities and alignment of existing facilities with good international practice.
- Community health impact assessment.
- Transport study.
- Emergency preparedness and response plan for all operations.

- Biodiversity habitat mapping and impacts assessment for Project locations.
- Development of a stakeholder engagement plan, grievance mechanism and allocation of resources

An extensive package of TCs has been prepared to support the Company. This is key to delivering improvements in E&S performance, and E&S risk and impact mitigation and management.

6.2 INTEGRITY

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

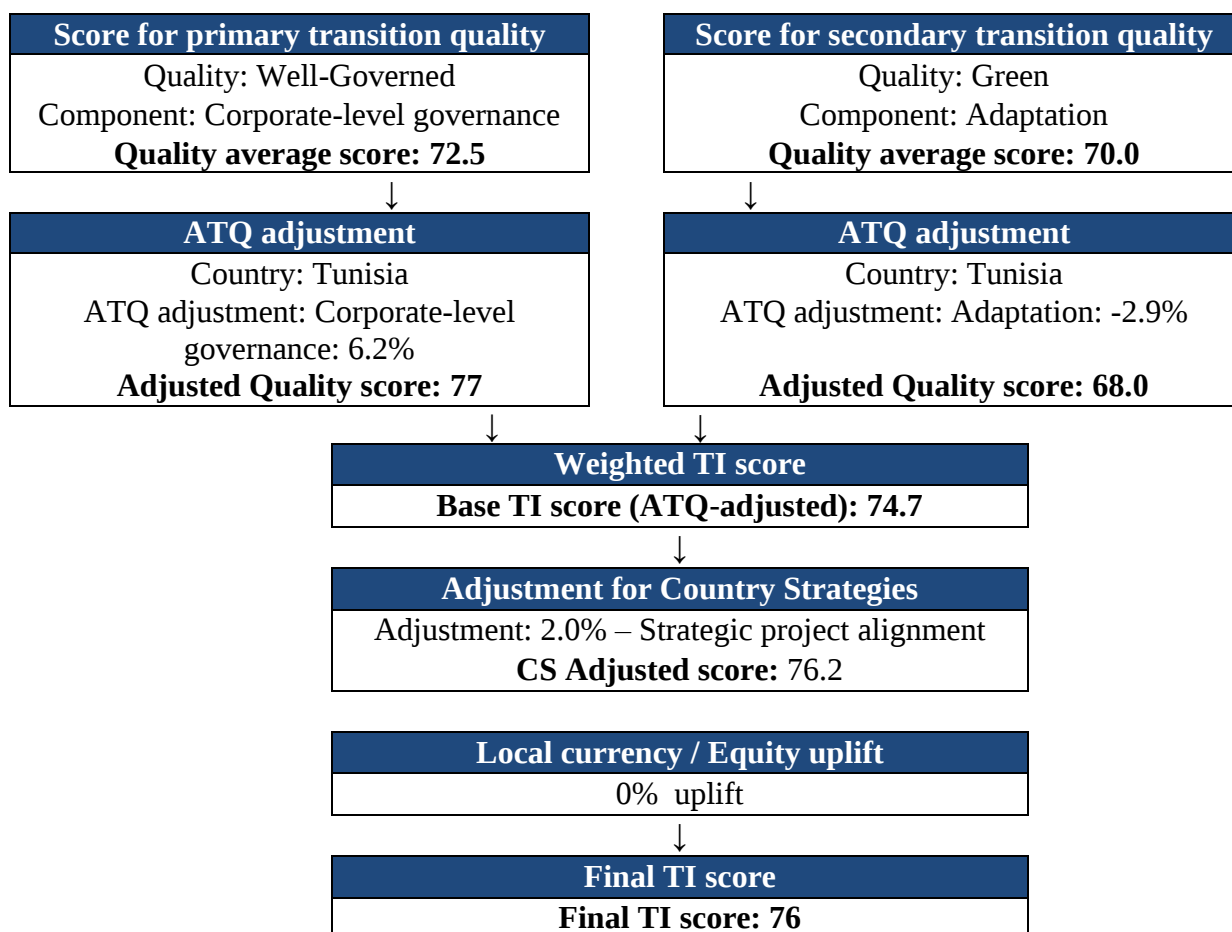
All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the Project, and the Project files contain the integrity checklists and other required documentation which have been properly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

ANNEXES TO OPERATION REPORT

ANNEX 1	TRANSITION IMPACT SCORING CHART
ANNEX 2	GREEN ASSESSMENT
ANNEX 3	PROJECT IMPLEMENTATION

ANNEX 1: TRANSITION IMPACT SCORING CHART

1. Scoring chart:



ANNEX 2: GREEN ASSESSMENT

SUMMARY

- The Loan will support CPG's CAPEX plan consisting of investments in new mining equipment and tailings dewatering and recycling technologies.
- The Loan is determined **aligned with both mitigation and adaptation goals of the Paris Agreement**.
- The Loan is attributed **36% GET** based on the EBRD's EUR 110 million Loan.
[REDACTED]

PARIS ALIGNMENT ASSESSMENT

Alignment with the mitigation goals of Paris Agreement - General screening

The Project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank's Paris alignment approach for direct finance.

- The Project's activity is not included in the 'MDBs' aligned list'.
- The Project activities (mining of phosphates) are not currently included under the EU Taxonomy
- There are no activities included in the 'non-aligned list'.

The Project involves activities that are eligible for automatic alignment under the Joint MDB Paris Agreement Alignment Methodology, as they fall within the category of 'non-energy intensive industry'. In line with this categorisation, phosphate mining operations, which primarily rely on diesel and electricity without requiring energy intensive thermal processes, are considered to have inherently lower emissions intensity compared to other industrial sectors.

However, in the interest of adopting a conservative approach, it was decided to undertake a specific assessment.

– specific assessment

- NDC review. NDCs and LTSs and other related policy plans:
- Phosphate mining is not explicitly listed in Tunisia's NDC. However, the Project supports Tunisia's broader climate objectives, particularly through water efficiency. The Project does not breach the conditions of the mitigation goals of the Paris Agreement and is consistent with Tunisia's climate commitments.

- LCP review. Consistency with LCPs and other credible benchmarks:
The Project is consistent with a low-carbon pathway, despite the absence of sector-specific benchmarks at the time of investment.

Phosphate mining is not inherently energy-intensive relative to other mining sectors. The process largely relies on electricity and diesel fuel and does not require energy-intensive thermal processing. This means there is significant potential to decarbonise operations by electrifying equipment, switching to renewable electricity sources, and exploring low-emission alternatives for mobile equipment, such as biodiesel or electric haul trucks. These measures will become increasingly viable from both a technological and economic standpoint.

Phosphate plays a critical role in food security as a key input for fertiliser production. As global demand for sustainable agriculture grows, ensuring a secure and responsible supply of phosphate aligns with long-term development and climate resilience goals.

Although standardised low-carbon benchmarks for the phosphate mining sector may not currently exist, we will work closely with the Company post-investment to develop a low-carbon pathway. This would

be informed by leading climate transition methodologies and grounded in site-specific decarbonisation potential, ensuring that the Company's roadmap is aligned with long-term climate objectives.

- Carbon lock-in tests.

Carbon lock-in refers to a situation in which technical, economic, or institutional factors result in an asset continuing to operate in an emissions-intensive manner, even when lower-carbon alternatives are both technically feasible and economically preferable.

In this case, the core operational emissions from the Project are associated with diesel-powered mine vehicles and grid-based electricity use. Both of these emission sources are expected to be replaceable over time with lower-carbon options: namely, the electrification of mining vehicles and the transition to renewable electricity supply. These technologies are already commercially available and expected to become increasingly cost-competitive over the Project lifetime.

Mining fleets are typically subject to regular maintenance and replacement cycles, allowing for a phased transition from diesel to electric or low-emission alternatives as these become viable. The mine's power demand, mainly for crushing, grinding, and beneficiation, can also be increasingly met through renewable energy sources as grid decarbonisation progresses or through on-site generation.

Moreover, the asset's long operational life provides sufficient time for technological improvements and evolving regulatory and market drivers—such as carbon pricing, vehicle standards, and ESG pressures, to make low-carbon technologies commercially attractive. Importantly, the Company has committed to working with the Bank to develop a sectoral low-carbon pathway for phosphate mining in Tunisia, including medium- and long-term decarbonisation targets at the asset level.

Given the combination of technical feasibility, asset flexibility, expected technological developments, and Company engagement on long-term climate goals, the risk of carbon lock-in is considered to be low.

[REDACTED]

Alignment with the adaptation goals of Paris Agreement

The Project is determined as aligned with the adaptation goals of the Paris Agreement. While phosphate rock mining in Tunisia has been assessed as particularly vulnerable to increased water stress (due to both heightened exposure and sensitivity), installation of water filtration systems increasing water re-use rate [REDACTED] (financed through EBRD loan) will strongly reduce Project's sensitivity and limit its impact on the climate resilience of the system in which it operates.

As such, the enhanced water recovery rate and overall water supply reduction that will be enabled through the Project, coupled with comprehensive assessments on water supply availability, demonstrate conscious management of the risks that water shortages pose to operations and local water users in the Gafsa region. The Project is deemed Paris aligned on this basis.

GET ATTRIBUTION

The Project is attributed environmental GET of 36%. This share has been calculated in line with the approach to Sustainable use and protection of water and marine resources as defined in section 1.1. of Annex 3 to GET Handbook (1.1.: 'Improvement of water supply and demand efficiencies, including leak-prevention, water supply from alternative and sustainable water sources, and performance optimisation'). The eligible CAPEX (thickeners, filter presses and dry stacking facilities) will increase water recover and reduce water use across CPG's operations.

In parallel, the Project is also attributed climate adaptation GET as follows:

- Tunisia is one of the most water-scarce countries in the world, and climate change is intensifying this challenge. More than 50% of Tunisia's water supply comes from non-renewable groundwater, much of which is being depleted or salinized.
- The planned activities within this Project are dedicated to increasing water recovery across CPG's mining operations to realise a water saving of approximately 3 million m³/year and a valorised climate resilience outcome [REDACTED] over the Project's lifetime.
- In a context of intense water competition over shared resources in Gafsa, the increased water recovery rate enhances the climate resilience of CPG's operations as well as that of local water users (towns and agriculture) in the wider system.
- As such, the specific water recovery activities [REDACTED] enable system-wide adaptation to climate change as a primary objective, eligible for 100% adaptation GET. The overall Project is eligible for 36% adaptation GET on this basis.

While a derogation from the Environmental and Social Policy is being sought, this has no impact on the assessment or allocation of the GET share associated with the project.

[REDACTED]

ANNEX 3: PROJECT IMPLEMENTATION

[REDACTED]

The Company, *Compagnie des Phosphates de Gafsa* (“CPG”), is a state-owned mining company with extensive operational experience in the phosphate sector and a demonstrated ability to manage procurement and maintenance of mining equipment from multiple suppliers. While CPG has previously implemented capital investment projects, its experience with procurement under IFI-financed operations and international competitive tendering processes remains limited without any previous experience with EBRD. Moreover, the Project includes technically complex equipment (e.g. high-pressure filter press systems) that may exceed the Company’s in-house technical procurement expertise. Therefore, the overall capacity risk is assessed as High. This will be mitigated through the engagement of a Project Implementation Consultant, to assist with procurement, contract management, and Project implementation oversight. Targeted capacity-building measures and close Bank supervision will further help to manage this risk.

Contracts risk assessment [REDACTED]

The procurement covers two primary contract categories: (i) mining equipment to be procured through six separate lots, and (ii) a high-pressure filter press system to be procured as one lot. The mining equipment component, while straightforward, involves coordination across multiple contracts, which may pose logistical and contract management challenges. The filtration system, due to its bespoke nature and higher technical complexity, introduces implementation risks related to supplier performance and integration with existing infrastructure. These risks are further heightened by limited local supplier capacity and market familiarity with such high-specification equipment. Risk mitigation measures include the use of prequalification for the filtration system, clear technical specifications, and support from an experienced Project Implementation Support (“PIS”) consultant.

Project implementation arrangements

The implementation of the Project will be led by **CPG**. Project implementation will be managed internally by CPG through a designated Project Implementation Unit (“PIU”) acceptable to the Bank, which will coordinate and oversee procurement and contract execution activities.

To mitigate Project delivery risks and support timely and effective implementation, CPG will be supported by a dedicated Grant-financed **Project Implementation Support** consultant (“PIS”). The PIS will assist in finalising technical specifications, preparing tender documents, managing the tender process, and supervising the contracts implementation in particular the delivery and commissioning of equipment.

Given the support already provided to the PIU and the nature of the Project under EBRD supervision, the involvement of an independent Lender’s Supervisor is not currently envisaged. However, the Bank will maintain close oversight of Project implementation through routine monitoring and regular reporting requirements.

Key risk mitigation measures include:

- Use of Bank-Procurement Documents and adherence to EBRD Procurement Policies and Rules (“PP&R”);

- Engagement of a qualified PIS to strengthen procurement and technical oversight capacity;
- Structuring of procurement into manageable lots to increase competition and reduce single-source dependency;
- Application of prequalification for complex items (i.e. the filtration system) to ensure bidder competence and reduce implementation risk.

Procurement arrangements:

All contracts for goods and associated services financed from the Bank's loan will be procured through open competitive tendering procedures, in accordance with the Bank's Procurement Policies and Rules ("PP&R") for public sector operations. The procedure will be handled on ECEPP.

Procurement will be conducted using the Bank's Standard Procurement Documents ("SPDs") downloaded from ECEPP.

The two loan-financed contracts will be procured as follows:

- Mining equipment will be procured through single-stage open tendering, and divided into six lots to maximise competition;
- The high-pressure filter press system will be procured through a single-stage open tender with prequalification.

The Company had requested to process with advance procurement at his own risk as per Article 3.76 of the PPRs. In order to provide adequate support to the Company to proceed with advance procurement the Bank had mobilised a Grant financed Bank led contracted Procurement Consultant.

The Project does also include a large number of Grant-financed TCs contracts.

All contracts under the Project will be subject to prior review by the Bank.

[REDACTED]