

TERMS OF REFERENCES
FOR
Second Party Opinion providers related to the
issuance of thematic bonds

Background

The International Bank for Reconstruction and Development has granted a USD 30 million loan to the Republic of Serbia (RoS) to support the reform of capital markets through the implementation of the Catalyzing long term finance through capital market project (The Project).

The Financial System Department of the Ministry of Finance (MoFFS) is the entity responsible for all technical aspects of the Project implementation. The Project is built upon the MoFFS's successful experience in implementing previous World Bank Group projects.

Given the specific nature of the Project, the MoFFS is closely working with the Republic of Serbia Securities Commission (SSC), Central Security Depository and Clearing House (CSD), Belgrade Stock Exchange (BELEX), and other relevant public and private sector institutions on the implementation of this Project in order to properly align it with applicable regulatory requirements.

The Project is governed by a Stakeholder Committee with the operational activities performed by a dedicated Taskforce appointed by the MoFFS.

In order to efficiently implement all planned activities additional required professional support will be engaged throughout the Project lifecycle.

Objectives of the Project

The Project's overall objectives are the development of the legal, regulatory and economic environment under which the capital markets operate, and to deepen the corporate bond market, including green and other thematic bond issuances. The Project is structured around two main components: Component 1 - Institutional, Legal and Regulatory Reforms and Component 2 - Corporate Bond Issuance.

Component 1 is focused on strengthening the capital market institutions, particularly the SSC, CSD, and BELEX by aligning them with the relevant international standards.

Component 2 is focused on expanding the supply side and the corporate bond issuer base (issuing more corporate bonds and/or other non-government securities instruments) starting from the identification of potential issuers and supporting the process leading to final issuance. Specific focus will be on green and other thematic issuances (with an explicit emphasis on climate financing). Additionally, deepening the demand side (attracting more investors) by simplifying the taxation regime for capital markets will also be an important part of Component 2 activities.

MoFFS selected companies, such as law firms, audit firms, financial advisory firms, brokerage firms, EMSA-registered credit rating agencies, and other critical service providers, that are providing full support and guidance to companies participating in the Project.

Objective of the Assignment

In case of thematic bond issuance MoFFS will select a pool of Second Party Opinion providers which will confirm: i) pre-issuance: whether the bond issuer's framework is aligned with the relevant ESG international frameworks (e.g. the Green Bond Principles, Sustainability-Linked Financing Framework, etc.) and ii) post-issuance will verify the bond issuance use of proceeds.

In the Primary procurement stage, MoFFS will enter into a Framework agreement (hereinafter: FA) with several Second Party Opinion providers, setting out terms and conditions under which specific Services (call-off contracts) will be provided directly or competitively throughout the term of the agreement. Once the particular Corporate Bond Issuer (CBI) is determined, a Second Party Opinion provider shall be selected from the panel using the secondary procurement process, which shall be described in the FA in details. Finally, the Second Party Opinion providers will enter into a three-party contract with the CBI Candidate and the Ministry of Finance in accordance with Call-Off contract template that will be provided in respective of the FA.

Scope of Work

The Second Party Opinion providers shall:

- Prior to the issuance: review the alignment of the issuer's relevant thematic bond framework to the relevant intended bond issuance international standards (e.g. to the four core components of the Green Bond Principles for green bond issuance, to the sustainability-linked financing framework for a sustainability-linked bond issuance, etc.), and review eligible projects proposed for Thematic Bonds;
- Assess alignment of the issuance with the issuer's sustainability strategy and priorities;
- Suggest opportunities to strengthen the issuer's framework in line with international best practices and investor expectations - if any;
- Issue a final opinion and/or an opinion on the revised Framework as to whether the selected projects are expected to have a net positive impact on the environment and targeted communities;
- Publish its opinion on the Framework on the SPO's website accessible to the public within the agreed timeframe and according to the agreement;
- Post issuance: issue an opinion as to whether i) the Allocation Report fairly presents, in all material respects, the use of bond proceeds, ii) the expenditures reported are eligible for financing, and iii) the allocations have been made during the period verified and funds have been used in accordance with the conditions set out in the Framework, (e.g. issue an opinion if the bond proceeds have been used in accordance with the conditions set out in the Framework, check that allocations align with the categories stated in the Green Bond Principles; evaluate whether the issuer has provided impact reports that quantify environmental benefits, identify any unallocated proceeds and review the issuer's strategy for managing them, assess whether any reallocation of funds still complies with green eligibility criteria; etc.);
- Coordinate pre-issuance and post-issuance media communication with the CBI Candidate.

The selected Second Party Opinion providers shall accept the work to be carried out remotely, participating in meetings, as appropriate, through teleconferencing facilities.

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Reporting requirements

The Second Party Opinion provider will issue a final opinion prior to the issuance, which assesses the environmental and social credentials of the selected projects and the alignment of the Issuer's framework with the expectations of investors and the best international practices. Post issuance, the SPO will issue a post issuance verification on the use of proceeds.

High level profile of the Second Party Opinion providers

- Be a reputable company with more than 3 years of experience in providing SPO services;
- Must have recognized expertise in the field of environmental and social sustainability and have experience in providing opinions for thematic bond frameworks;
- Should not be on the World Bank Listing of Ineligible Firms and Individuals.

Personnel:

Team Leader - Engagement partner responsible for the Corporate Bond Issuance Project should:

- a) Demonstrate high ethical standards, conducting their work with integrity, independence, and objectivity, in line with ICMA Green Bond Principles, Sustainability-Linked Bond Principles, and EU Taxonomy regulations.
- b) Possess strong interpersonal and stakeholder management skills, with the ability to build and maintain trusted relationships with key participants in the bond issuance process, including the Republic of Serbia Ministry of Finance, CBI Candidate, Financial Advisors, Arrangers, and Institutional Investors.
- c) Have exceptional communication and presentation skills, capable of clearly articulating SPO methodologies, assessment criteria, and analytical conclusions to all relevant stakeholders, while effectively addressing inquiries and potential concerns.
- d) Exhibit excellent project management skills, ensuring the efficient coordination of resources, monitoring of SPO evaluation progress, and timely delivery of reports, while maintaining high analytical and quality assurance standards.
- e) Have a strong background in sustainable finance, ESG assessments, and impact analysis, with expertise in evaluating Use-of-Proceeds, Sustainability-Linked, and other ESG financial instruments, ensuring compliance with best market practices.
- f) Have a deep understanding of sustainable finance frameworks, climate risk assessments, financial markets, and regulatory developments that may impact the issuance of green, social, and sustainability bonds, as well as evolving disclosure requirements.

Please include, at least two, contact details for reference check of information provided in the CV.

Length of assignment

The assignment will be for a period ending with June 2028 conclusively and subject to extension based on Project needs and satisfactory performance verified by the Taskforce.

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Confidentiality

The Partner Company undertakes to maintain confidentiality on all information that is not in the public domain and shall not be involved in another assignment that represents a conflict of interest to the prevailing assignment.

Selection of the Second Party Opinion providers

The Taskforce, intends to shortlist up to 8 eligible firms to whom a subsequent Request for Proposals (RFP), shall be sent. The eligible firms need to fulfill accompanying excel document - Company Information, with data about conducted SPO activities.

Team Leader - Engagement partner will not be evaluated at Expression of Interest stage.

A Partner Company will be selected under Quality - based selection method procedures, in accordance with the World Bank's "Procurement Regulations for IPF Borrowers" (July 2016, revised November 2017, August 2018 and November 2020) ("Procurement Regulations"), which can be found at the following website: www.worldbank.org.

The Framework Agreement to be concluded will be "Single-User." A Framework Agreement will be concluded with several Partner Companies ("Multi-Consultant Framework Agreement").

The selection of a Partner Company to be awarded a Call-off Contract will be done through a Secondary Procurement as defined in the Framework Agreement. However, the conclusion of a Framework Agreement shall not impose any obligation on the Procuring Agency, including participating Clients, to procure the consulting services under a Call-off Contract. The conclusion of Framework Agreement does not guarantee that a Partner Company in the Framework Agreement will be awarded a Call-off Contract.