

**TERMS OF REFERENCE
FOR
Partner Company – Readiness review analysis and Improvement plan preparation**

Background

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

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

Given the specific nature of the Project, the MoFFS will be closely working with the Republic of Serbia Securities Commission (hereinafter: SSC), Central Security Depository and Clearing House (hereinafter: CSD), Belgrade Stock Exchange (hereinafter: BELEX), and other relevant institutions on the implementation of this Project in order to properly align it with regulatory requirements prescribed by the law.

The Project will be 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 professional support will be required and 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.

Strengthening the capital market institutions, particularly the SSC, CSD, and BELEX by aligning them with the relevant international standards is the focus of Component 1.

Component 2 will be 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 that will lead to the 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 the Component 2 activities.

MoFFS, will select a group of companies, such as law firms, audit firms, financial advisory firms, brokerage firms, EMSA-registered credit rating agencies, and other critical service providers, that will provide full support and guidance to companies participating in the Project.

Objective of the Assignment

The Taskforce will identify domestic companies that are potential corporate bond issuers (hereinafter: CBIs), and engage Partner Companies to conduct Readiness review analysis and Improvement plan preparation in order to prepare the CBIs for the issuance process.

In the Primary procurement stage, MoFFS will enter into a Framework agreement (hereinafter FA) with several Partner Companies, 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 CBI is determined, a Partner Company shall be selected from the panel using the secondary procurement process, which shall be described in the FA in details. Finally, the Partner Company 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 Framework Agreement.

Scope of Work

The Partner Company shall:

Conduct a review of the CBI Candidate's business, analyzing its current structure, industry segment positioning, strategic vision and previous financial and operating results, all aimed at providing the objective data to evaluate the Candidate's readiness to conduct a successful bond offering. This analysis must, at a minimum, explore and document the following topics for the Candidate:

- Organizational structure and Corporate Governance
 - a) Group organizational structure diagram and brief description about the companies that are part of the group (including their strategic relevance to the Candidate)
 - b) The Candidate's ownership structure and a description of any related party contracts or arrangements or commonality of interests with any of its owners
 - c) Description of the Candidate's corporate governance structure, including a brief description of the Supervisory Board's make-up, all Committees within the Board, and other management relevant governance bodies
 - d) Management information processes: transparency and quality
- Legal Analysis
 - a) Analysis of all legal aspects of CBI candidate's business operations and compliance with the regulatory framework
 - b) Identification of all potential compliance / regulatory issues. Deep dive analysis of all identified issues will be part of a separate Terms of Reference document
- Business Overview and Market Positioning:
 - a) Company history (including mergers and acquisitions)
 - b) Size of total market and local/national niche market
 - c) Assumed market share of major competitors
 - d) Segment reporting (revenues/EBITDA or EBIT/assets if available)
 - e) Description of growth ambitions
 - f) Description of specific regulatory peculiarities
 - g) Description of procurement chain and supplier relationships
 - h) Contract exposure, contract expiry schedule and information on contract renewals, if applicable
- Strategy and Forecast
 - a) Detailed description of the company's business plan and assumptions behind the plan
 - b) Internal forecast for the next three years including data on expected turnover, cash flow, EBITDA, operating leases, interest expenses, capex, working capital, acquisitions, disposals, dividend pay-outs, debt and cash position
 - c) Free cash flow forecast (to understand CBI Candidate potential / capacity for bond repayment)

- Financial Overview
 - a) Information on current total debt composition including covenants
 - b) Information on off-balance sheet debt such as annual operating lease agreements (as the lessee) or net present value of future lease payments, if applicable
 - c) Details about freely available cash on balance sheet
 - d) Information about committed credit and factoring lines
 - e) Financial Reporting process analysis: transparency and quality
- Profitability and efficiency
 - a) Split between fixed and variable costs
 - a) Description of the company's pricing policy:
 - b) How quickly can price increases of suppliers be passed on to customers
 - c) To what extent can the company provide discounts on prices below average prices of competitors
 - d) History of receivables write-offs
- Diversification
 - a) Segment split for different markets (regional split) and major product groups: volumes, sales, EBITDA, EBIT
 - a) Split of revenues between different customer groups
 - b) Concentration of key suppliers: supply volume and revenues, length of contracts
 - c) Concentration of key customers: supply volume and revenues, length of contracts
- Target Terms of the Proposed Bond Offering
 - a) Business plan for the usage of the bond emission proceeds (*e.g.* infrastructure or other project funding, debt replacement, working capital ...)
 - b) Range of possible interest rates, coupon frequency, maturity
 - c) Proposed minimum and maximum size of the offering
- Submit a Readiness review report
 - a) Based on the findings of Readiness review analysis, the report should describe CBI Candidate's readiness for bond emission.
- Create an Improvement plan
 - a) Subsequent to, or in conjunction with the Readiness review report, prepare and deliver a detailed Improvement plan, describing all necessary activities and changes that should be implemented by the CBI candidate in order to be ready for bond emission
- Report, in the case of Thematic bonds
 - a) Detail whether the bond will be issued under a green, social, or other thematic framework
 - b) Detail Serbia's framework requirements for the stated thematic bond what and preparation documentation will be required
 - c) Detail the requirements for obtaining the required thematic bond emission certification on an ongoing basis over a 3-year period after a bond offering completion
 - d) Annually report and verify the CBI candidate's observance of the post-offering requirements and restrictions

Deliverables

- Readiness review report
 - a) The Partner Company will provide reliance on the Readiness review analysis report to the CBI Candidate and the CBIP Taskforce ("the Clients"). The reliance will also be provided to the Arranger and the Rating Agency, on the basis of them acknowledging the same terms and conditions set out in the Call Off Agreement as the Clients, including the liability cap which would in that case be shared between the Clients and the other entities to which the report is disclosed on duty of care basis. These matters would be subject to written acknowledgement in the form of release and duty of care letters.

- Improvement plan report
- Report, in the case of Thematic bonds
- The estimated period for the preparation of a Readiness review and Improvement plan is 45 days after signing the contract with the CBI candidate and Ministry of Finance. However, the exact period will be defined for particular CBI in a respective Call-off Contract.
- All other deadlines for the Improvement plan, requirements for thematic bonds and the subsequent compliance reports shall be include in the Call-off Contract

Reporting requirements and other provisions

- Upon request, the Partner Company shall submit progress reports on the implementation of the assignment, to the Taskforce
- One Partner Company may work with maximum two CBI candidates at the same time. In a specific case that that there is lack of available Partner Companies to support the CBI candidate in the bond issuance process this rule can be waived
- Readiness review analysis and Improvement plan preparation activities are separated from Improvement plan implementation (has to be done by two different partners), unless the recommended improvements are relatively insubstantial

High level profile of the Partner Company

The Partner Company shall:

- Be a reputable company with significant experience in providing financial, due diligence, and re/structuring advice for firms
- Have deep knowledge of corporate governance and organization design principles
- Have experience in working with large companies, preferably listed companies
- Have knowledge of regional and local capital markets
- Experience in executing a listing process for a private company will be considered as an advantage
- Experience in supporting issuances of securities will be considered as an advantage
- Being a part of an international network on which they can draw additional expertise will be considered as an advantage

Key experts:

- Business Management / Economics / Financial Expert 1:
 - a) University degree in business management, economics, finance, or accounting. Master's degree in business finance or CFA certificate will be considered as a distinct advantage
 - b) Minimum 7 years of relevant work experience
 - c) Detailed knowledge of business landscape in Serbia
 - d) Advanced financial analysis and financial modeling experience: assessment of financial statements, cash flow projections, and valuation models
 - e) Advanced experience in evaluating company's financial health, identification of associated industry risks, and determining the ability to service debt
 - f) Experience in structuring financial transactions, including bond issuances will be considered as an advantage
 - g) Knowledge of financial risk analysis: credit risk, market risk, and operational risk
 - h) Skills in identifying potential risks associated with the bond issuance and proposing risk management solutions
 - i) Advanced knowledge of corporate governance and organization design principles
 - j) Strong presentation and communication skills, and excellent knowledge of written and spoken English
- Economics / Financial Expert 2:
 - a) University degree in business management, economics, finance, or accounting
 - b) Minimum 5 years of relevant work experience

- c) Knowledge of business landscape in Serbia
- d) Financial analysis and financial modeling experience: assessment of financial statements, cash flow projections, and valuation models
- e) Experience in evaluating company's financial health, identification of associated industry risks, and determining the ability to service debt
- f) Knowledge of financial risk analysis: credit risk, market risk, and operational risk
- g) Skills in identifying potential risks associated with the bond issuance and proposing risk management solutions,
- h) Knowledge of corporate governance and organization design principles
- i) Strong presentation and communication skills, and excellent knowledge of written and spoken English
- Thematic Bond Issuance Expert:
 - a) In-depth knowledge of environmental, social, and governance (ESG) principles and their integration into financial products,
 - b) Understanding of thematic areas such as green bonds, social bonds, sustainable development goals (SDGs), or other impact-driven financing,
 - c) Familiarity with regulatory frameworks governing thematic bond issuance, including knowledge of Green Bond Principles, Social Bond Principles, and other relevant standards,
 - d) Relevant certifications or training in sustainable finance (e.g. Chartered Financial Analyst (CFA) program, certificate in ESG Investing, or other sustainability-focused certifications)
- Project Team:
 - a) Additional project team members will be defined in line with specific needs of each corporate bond issuance candidate

The bidder shall include CVs for all proposed team members, together with a commitment letter executed by each proposed team member certifying their availability to work on this assignment during the period estimated, committing to remain available, and committing to travel and work within Serbia as needed during the project

Length of assignment

The assignment will be for a period ending with March 2027 conclusively and subject to extension based on Project needs and satisfactory performance verified by the Taskforce.

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 Partner Company

The Taskforce, intends to shortlist up to 10 eligible firms to whom a subsequent Request for Proposals (RFP), shall be sent.

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 Financial Advisor 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.