

ANNEXURE A: SCOPE OF WORK

APPOINTMENT OF A LEAD TRANSACTION ADVISOR (OR CONSORTIUM OF SERVICE PROVIDERS) TO PROVIDE TRANSACTION ADVISORY SERVICES IN RELATIONS TO THE ACQUISITION OF A 35% SHAREHOLDING IN A RENEWABLE ENERGY FUND.

CEF (SOC) Ltd is a state-owned company (SOC) governed by the Central Energy Fund Act of 1977 and conducts its business as the holding company and through its subsidiaries that together constitute the CEF Group of companies. This represents an energy security of supply value chain comprising of exploration and production, coal and gas supply, liquid fuels processing, a renewables division, and liquids fuels storage/infrastructure.

CEF's approach is to use specialists and/or independent service providers to provide various advisory services for potential acquisitions and or investments. It is for these reasons that CEF intends to appoint a Lead Transaction Advisor (or a Consortium of Service Providers). These advisory services may be required for CEF business needs (including CEF's partnerships), its subsidiaries and/or partners of the subsidiaries.

PURPOSE

CEF intends to appoint an independent **LEAD TRANSACTION ADVISOR (OR A CONSORTIUM OF SERVICE PROVIDERS)** to provide transactional advisory services and prepare independent due diligence reports, which include commercial, financial, technical, legal, Environmental-Social-Governance, HSE (ESG) and socio-economic studies. The work shall further entail a recommendation to CEF, and relevant shareholder Departments involved in making the Final Investment Decision as per requirements of the PFMA. The advisor is expected to support CEF **from initiation up to and including financial close**. The due diligence reports from the transaction advisors or specialists must be of acceptable standard to CEF and prospective lender(s).

BACKGROUND

As a State-Owned Company, CEF has a responsibility to adhere to a number of regulations in order to aid the achievement of its strategic objectives. The successful/shortlisted service providers should demonstrate knowledge and/or capability in providing the required services efficiently and with a high degree of quality.

CEF would like to make an investment decision once the due diligence process has been completed. Therefore, CEF requires the services of a transaction advisor/consortium to assist with the investment appraisal process. The outcomes of the appraisal process will be used to inform the CEF final investment decision.

The scope of work/ terms of reference invite proposals from lead transaction advisors; the bidder must have Mergers & Acquisitions (M&A) and Corporate Finance experience with specific experience in the renewable energy industry. The bidder's team (or consortium) must be suitably qualified and experienced in conducting independent Due Diligence, with the following work streams: **Financial, Technical, Legal, Commercial, Environmental-Social-Governance, HSE and Socio-Economic, including performing/preparing/reviewing a Valuation.**

The transaction advisory service providers will be required to provide services in an approach that is in line with standard Advisory Processes. The following phased approach for services is being considered by CEF:

Reviewing/auditing or preparing (i) a financial model, and (ii) undertaking commercial, financial, technical, legal, ESG, Socio-Economic, HSE DD on the target, its asset and prepare business cases and (iii) provide a professional advice/opinion that will aid in an investment decision for the CEF and/or its partnerships, its subsidiaries and/or partnerships of the subsidiaries.

SCOPE OF SERVICES (SOS) / TERMS OF REFERENCES (TORs)

The bidder must indicate, in the table below (with a tick) the category of work they specialise in (i.e. core business) and the percentage of work that will be outsourced and/or subcontracted to other service providers:

Note:

Each Consortium member's administrative documents shall be required. These include Central Supplier Database (CSD) Number; Tax Compliance Status; BBBEE certificates etc.

CEF and/or its partners will from time to time engage with the lead transaction advisor and the consortium members to gain clarification and validate assumptions applied to the studies, etc. or any deliverables related to this transaction and/or project.

The lead transaction advisor will be required to provide:

- Assistance in reviewing and interpreting all information provided by CEF and/or the target and their contracted service providers or partners and request any information omitted relating to this transaction or project.
- Assistance in evaluating, reviewing and further advice on the asset and/or investment.
- Present its views, opinions, and recommendation as to what an optimal transaction structure will be.
- Conduct independent due diligence in all the streams highlighted below, and identifying critical risks and factor their impact onto the investment.
- Drafting, reviewing and negotiating all transaction Agreements, which includes all the relevant & applicable Legal Agreements, and any Finance Agreements if needed, etc.

- Attend to all other matters reasonably incidental to the transaction of this nature including inter alia:
 - Identifying, to the extent required, suitable auditors, technical/engineering experts, legal experts, BEE consultants and any other required service provider(s) to ensure effective and efficient implementation of the transaction / project.
 - Compiling notifications to the various regulatory bodies having jurisdiction over the transaction(s) or CEF, its subsidiaries, the target asset(s) and/or investment (i.e. the Competition Commission, the Department of Minerals Resources and Energy, the National Treasury, etc.) and
 - Reviewing and/or preparing relevant financial model(s) and relevant financial performance ratios as outputs.
 - Review, analyse and model financial inputs and outputs during the due diligence for the purposes of (i) loan applications to financial institutions and (ii) investment application (decision) per relevant internal and external CEF processes.
 - Prepare DD reports and Project Information Memorandum for loan application purposes and for CEF investment decision (applications) purposes.
 - Provide transaction structuring advisory services for loan application purposes and investment decision (application) purposes.

WORK PACKAGES / DELIVERABLES

Category	Work package / Deliverables	Indicators / Activities
Commercial and Financial	<p>Commercial and financial due diligence report</p> <p>Commercial structuring of the transaction</p>	<p>Option analysis, prepare a report with recommendations with focus on the following:</p> <p>Advise on the most appropriate deal structure CEF should implement given the nature of the transactions and whether CEF should invest in the project.</p> <p>Whether, if the option is available, CEF should participate in the O&M contract structures</p> <p>Perform the following assessments and advice CEF accordingly:</p> <ul style="list-style-type: none"> • assess project business case & operational competence, • assess ability of project SPV management team to follow through on its investment strategy, • assess whether the project SPV will be a consistent and professional partner that communicates effectively. • Validate investees strategy and design. • Validating investees investment thesis. • Evaluating investees strategy for achieving set strong returns. • Assessing the experience of the investees team.

		<ul style="list-style-type: none"> Assess the project company's deal pipeline. Analyse investee's projects economics. <p>Engage on all commercial matters on behalf of CEF to the point of closing the deal.</p> <p>Prepare a Risk & Mitigation schedule, Risk Management strategy, contracts and exit strategies.</p>
	Review or preparation of Base Case Financial Model	<p>Base Case Model and a Report with option analysis, scenario analysis and sensitivity analysis.</p> <p>The report should be based on sound M&A, corporate finance, and debt advisory experience, and renewable energy industry practices & insight.</p> <p>Prepare a Base Case Model with the ability to output a number of relevant scenarios. The Model should also be able to fulfil the role of an operational model which can be used for monitoring of the project's financial performance post investment for any debt covenants purposes (if debt is raised for equity acquisition purposes) and investment performance monitoring purposes.</p>
	Capital Raising	<p>The service provider to conduct capital raising programme with support from CEF.</p>

Legal	<p>Legal due diligence report.</p> <p>Detailed Prevailing Legislation and constitutional documents (i.e. the compliance and the regulatory universe): Review, analysis, and make recommendation.</p>	<p>Review and opine on the EPC contract.</p> <p>Review and opine on the O&M contract.</p> <p>Review and opine on the PPA contract.</p> <p>In addition, all the above contracts must also be reviewed / opined from a technical point of view.</p> <p>Study the existing founding legislation (i.e. CEF Act of 1977) and make a recommendation on the relevance of the investment from a mandate-fit point of view.</p> <p>If necessary, develop an advisory notice in line with, amongst others, the Companies Act 71 of 2008 ("companies Act"), the Competition Act 89 of 1998, to be followed by CEF and the target company as well as Anti-Trust laws affecting the target company future or current structural setup.</p> <p>Review and opine on the MOI and Limited Partnership Agreements of the target; incorporate CEF's interest if need be.</p> <p>Review and opine on the Management Service Agreement.</p> <p>Prepare the necessary legislation / MOI / Shareholder Agreement / Limited Partnership Agreement / Management Service Agreement amendments and write-ups to incorporate CEF if need be.</p> <p>If an opportunity for CEF to participate in the O&M exists, review and opine of the O&M Agreement including</p>
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Technical	Due Diligence Report and representation of CEF in technical engagement throughout the deal process.	<p>Review and opine on technical information provided by the investee / seller of power (i.e. per the PPA).</p> <p>Engage on all technical matters on behalf of CEF to the point of closing the deal.</p> <p>Provide a technical Due Diligence Report that covers amongst others, the following key topics:</p> <ul style="list-style-type: none"> • Technical Statutory / Regulatory Compliance Status. • Technology Assessment • Operations Planning • Opex Optimisation • Capex Plans • Performance Management • Skills Transfer Plans • Human Resource Plans • Abandonment Plans and Provision • Infrastructure and Logistics • License Agreements • Assets Integrity • Maintenance Plans

ESG & HSE	Environment	<p>Environmental: Focusing on project's impact on the planet, including issues like climate change, resource use, and pollution (carbon footprint).</p> <p>Any other environmental work package(s) deemed necessary & relevant to the sector as recommended by Transaction Advisor.</p> <p>Compliance with Health and Safety requirements / laws / regulations.</p>
	Social	<p>Social: Considers social aspects such as employee well-being, diversity, community engagement, and human rights.</p> <p>This is expected to be addressed by the socio-economic study to be prepared. Please see below.</p>

	Governance	<p>Governance to focus on aspects relating to:</p> <ul style="list-style-type: none"> - transparency and traceability of project information - project risk management. - stakeholder engagement and - compliance with Health and Safety requirements. <p>Governance DD to also include reviewing qualifications / experience of the management team, their decision-making processes, corporate governance policies to ensure that they are aligned with laws, industry standards, best practices.</p>
	<ul style="list-style-type: none"> • Employment Impact study, • Economic Impact study, • SMME, • Local Procurement Spend 	<p>Prepare a socio-economic study focusing on the economic impact, job creation and other social aspects such as employee well-being, diversity, community engagement, and human rights within the local and surrounding communities.</p>

1 ACTIVITY BASED PRICING SCHEDULE

CEF seeks a **fixed and firm lump sum contract**, which uses activity-based schedules to list activities/deliverables to be delivered under the contract. This activity schedule will be agreed between CEF and the winning bidder to trigger payments during the contract.

Description	Fees (Rands)
Transaction advisory services: Due diligence	
Legal	
Technical	
Commercial, Financial,	
ESG, HSE, Socio-economic	
Other.....	
Disbursements fees	
Sub-total (Excluding VAT)	
VAT (@15%)	
Sub-total (Including VAT)	

NB: Note that this pricing schedule is provided as a template. The bidder must adjust the table and ensure they have quoted for all foreseeable fees to cover all costs to complete the scope of work from project inception until financial close. **The disbursement fee must be capped at a flat rate and no percentages will be accepted.**