

## **RAND WATER**

### **REQUEST FOR QUOTATION No. 10419119**

# **Procurement Accelerator Pilot Project**

## **Annexures 1 to 2**

|                   |                                                                                       |
|-------------------|---------------------------------------------------------------------------------------|
| <b>Annexure 1</b> | Detailed Scope of Work, including success measures and Special Conditions of Contract |
| <b>Annexure 2</b> | Bidder Returnable Schedules (to be completed and signed by the bidder)                |

*These annexures form part of RFQ 10419119 and must be read together with the RFQ form (RW SCM 00016 F).*

## ANNEXURE 1 – DETAILED SCOPE OF WORK

### 1. Introduction and background

Rand Water intends to pilot a Procurement Accelerator. The intended solution will streamline and automate the procurement lifecycle. It should improve speed, compliance, transparency, supplier and bid management and financial control, while reducing manual effort and procurement delays.

Rand Water has identified the following challenges in its current procurement processes:

- Delays in procurement cycle times, particularly in the Request for Quotation (RFQ) process.
- Manual activities, duplicated work and repeated back-and-forth between end users, Supply Chain Management (SCM) and Finance.
- Information gaps and limited real-time visibility of where a procurement request is in the process, of purchase orders and of supplier payments.
- Compliance, audit-trail and reporting weaknesses, including recurring findings by the Auditor-General of South Africa (AGSA).
- Limited ability to detect control risks early, such as potential bid splitting and procurement deviations.
- A poor end-user experience, leading to rework and delays.

**Definition.** For this RFQ, a "Procurement Accelerator" is an AI-enabled, agentic-ready digital solution that sits across the sourcing value chain. It provides workflow automation, end-to-end process tracking, automated compliance and control checks, document intelligence and real-time reporting, integrated with Rand Water's SAP ERP environment. "Agentic-ready" means the solution can support AI agents that carry out defined, multi-step tasks across systems, with a human approving any action that has a financial, contractual or compliance consequence.

### 2. Pilot objectives

The pilot must allow Rand Water to decide, on evidence, whether to scale the Procurement Accelerator. It must:

- Show a measurable reduction in RFQ cycle time, manual processing and rework against a documented baseline.
- Provide complete, auditable tracking of each RFQ, and of a parallel RFB/tender, from request to award.
- Strengthen controls: budget and Delegation of Authority (DoA) validation, supplier restriction checks, bid-splitting detection and approval governance.
- Provide real-time dashboards and exception reporting for SCM, Finance and management.
- Show that the solution works securely within Rand Water's Azure environment and integrates reliably with SAP, with a credible path to SAP S/4HANA.
- Disclose and test the AI capabilities, including the accuracy of contract and document metadata extraction.
- Produce a costed architecture roadmap and scale-up business case, including life-cycle costing.

### 3. Pilot scope

#### 3.1 Use cases

**Use Case 1 – Request for Quotation (primary).** This is the focus of the pilot and the source of the December 2026 results. The solution must support and track the RFQ process end to end, from the approved requisition or procurement need to award and handover of the purchase order. As a minimum, this covers:

- Capturing the need and validating the requisition, including budget availability, account assignment and approval routing in line with the DoA.
- Preparing the RFQ document from Rand Water templates, including AI-assisted drafting and checking of specifications, evaluation criteria and pricing schedules.

- Selecting suppliers and checking their compliance status (Central Supplier Database status, tax compliance, and the National Treasury Register for Tender Defaulters and List of Restricted Suppliers).
- Issuing the RFQ, managing clarifications and addenda, and receiving quotations.
- Supporting evaluation (responsiveness, functionality, price and specific goals), with scoring worksheets and a full audit trail. Evaluation decisions remain with Rand Water officials.
- Recommendation, approval and award routing in line with the DoA, followed by the handover to SAP for purchase-order creation.
- Tracking cycle time and status at every step, with automated reminders and escalation of delays.

**Use Case 2 – Request for Bid / tender (secondary, in parallel).** The solution must be configured and tested on one RFB/tender process running in parallel with Use Case 1. It must cover the same control and tracking principles, extended to include bid committee processes. Rand Water accepts that the complete outcome of this use case may extend into 2027. The bidder must propose which RFB stages can realistically be demonstrated within the pilot period.

**Supplier management.** The solution must provide visibility of supplier information, supplier activity across RFQs and RFBs, and suspended or restricted suppliers, so that such suppliers are flagged before they are invited or awarded.

**Finance controls and visibility.** Section 6.4 and Annexure 2 set out the Finance requirements for the pilot. They are classified as Mandatory, Desirable or Future, to keep the pilot separate from the planned procure-to-pay solution.

### 3.2 Boundaries and exclusions

- No changes may be made to Rand Water's production SAP environment during the pilot. Integration must use non-production (development / quality assurance) SAP environments and standard interfaces.
- The pilot does not replace, and must not duplicate, Rand Water's planned e-procurement / procure-to-pay solution. Transactional invoice processing and payment remain in SAP. The pilot may read SAP data to provide visibility, analytics and exception reporting, as classified in Annexure 2.
- Final procurement decisions (evaluation outcomes, recommendations, awards and approvals) remain with authorised Rand Water officials. AI outputs are decision support only.
- Full-scale rollout, production cut-over and organisation-wide licensing are excluded. They will be the subject of a separate procurement process if the pilot is successful.

### 3.3 Rand Water inputs and dependencies

Rand Water will provide the following. The bidder's programme must show when each is required:

- A Microsoft Azure environment (subscription / resource group) for the pilot, provisioned by the Digital Transformation and Information Management (DTIM) team.
- Access to non-production SAP environments and the relevant interface documentation.
- Approved SCM business process maps for the RFQ and RFB processes.
- Templates, policies (including the DoA and SCM policy) and historical procurement data for baselining, subject to Rand Water's data-sharing approval.
- Nominated subject matter experts from SCM, Finance, DTIM and end-user areas, and a pilot user group.

**Known constraints.** The bidder must plan around these known constraints. The readiness of development and QA environments is a material schedule risk. DTIM capacity is constrained by current recovery and normalisation work. Rand Water staff availability is reduced over the year-end period. The bidder must say in its methodology how it will reduce its dependence on Rand Water resources.

**Live or sample data.** Configuration and testing will use sample or masked data. At inception, Rand Water will decide whether live RFQs in the pilot run in parallel with the current process ("shadow" mode) or are processed through the pilot solution for a selected set of RFQs. The bidder's methodology must support both options.

## 4. Environment, architecture and integration

**Hosting.** The pilot must be deployed in Rand Water's Microsoft Azure environment, separate from production. The bidder must disclose any component hosted outside that environment, including AI model endpoints, and justify it; Rand Water must approve it in writing.

**Data residency.** Rand Water data should be stored and processed in South African Azure regions. Any processing outside South Africa must be disclosed in Schedule C and approved by Rand Water.

**Security.** The solution must follow zero-trust principles. This includes single sign-on through Rand Water's identity provider (Microsoft Entra ID) with multi-factor authentication, role-based access control with least privilege, and encryption and key management of data in transit and at rest.

**SAP integration.** The solution must integrate with Rand Water's current SAP ERP environment through standard, supported interfaces, without modifying the SAP core. It must be compatible with Rand Water's future SAP S/4HANA direction. The bidder must describe the interfaces used, the data objects exchanged and how data is reconciled.

**Interoperability.** The solution must provide open, documented APIs and export data in open formats, so that Rand Water can integrate with it in future (including with the planned e-procurement solution) and exit without being locked in.

**Roadmap.** The bidder must produce an integration and architecture roadmap. It must show how the solution would scale and be embedded in Rand Water's current and future-state architecture, identify gaps, and set out the configuration and design decisions needed for a full rollout.

## 5. AI model disclosure and governance

Bidders must be transparent about every AI capability used in the solution. As a minimum:

- Disclose all AI models used (provider, model and version, hosting location), what each is used for, how it is configured for Rand Water, and who can change the configuration (Schedule C).
- Rand Water data must not be used to train, fine-tune or otherwise improve any model outside the pilot environment without Rand Water's prior written consent. The bidder must also disclose whether any embedded third-party AI service retains or learns from prompts or outputs.
- AI outputs must be traceable: record the inputs, outputs, confidence levels and user actions taken, so that each output can be audited.
- Keep a human in the loop. Actions by AI agents that have a financial, contractual or compliance consequence must require approval by an authorised user.
- Measure and report AI performance during the pilot, including the accuracy of contract and document metadata extraction against a sample verified by Rand Water.
- Describe how the solution controls hallucination, bias and the use of outdated information in AI-generated content, such as draft specifications and evaluation summaries.

## 6. Functional requirements

The full list of requirements and their classification is in Annexure 2. Summary:

### 6.1 Process automation and tracking

Configurable workflows for RFQ and RFB; end-to-end status tracking; automated reminders and escalations; time stamps at each stage for cycle-time measurement; document generation from Rand Water templates; and an electronic audit trail of every action and approval.

### 6.2 Compliance and control

Automated checks against SCM policy thresholds, the DoA, supplier compliance status and restricted-supplier lists. Detection and trend reporting of potential bid splitting (for example, repeated purchases of similar items from the same or related suppliers just below thresholds). Flagging of procurement deviations. Support for addressing recurring AGSA findings.

### 6.3 Supplier management

A consolidated supplier view: registration and compliance information, participation and award history, activity tracking, and visibility of suspended or restricted suppliers.

### 6.4 Finance controls and reporting

Budget and approval validation against available budget, account assignment and DoA. Real-time purchase-order and supplier-payment status visibility. Exception dashboards for aged orders, approval delays and procurement deviations. SAP reconciliations that support completeness, accuracy and reconcilability. Annexure 2 sets out which invoice-control analytics (duplicate detection, three-way-match exceptions, missing documents and receipting validation) are expected in the pilot, and which are future capabilities.

### 6.5 Reporting and dashboards

Real-time and periodic dashboards for SCM, Finance and executive users, linked to the success measures in section 9. Payment tracking. Drill-down to individual transactions. Export of reports in standard formats.

### 6.6 Usability and support

An intuitive, role-based interface for end users, buyers, approvers and managers, requiring minimal training. Access from standard browsers. User support during the pilot, with defined response times.

## 7. Implementation approach and indicative programme

The table below shows the indicative phases. It assumes appointment by early November 2026. Bidders must submit a detailed programme (Schedule D) that shows how RFQ pilot results will be delivered by December 2026 and how the RFB use case and final evaluation will be completed within the six-month pilot period.

| Phase                                | Key activities                                                                                                                                                                                | Indicative timing                                                   | Deliverables |
|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|--------------|
| 0. Mobilisation                      | Kick-off; confirm governance, team, plan, risk register and Rand Water dependencies; sign NDA and operator agreement                                                                          | Week 1                                                              | D1           |
| 1. Inception and discovery           | Current-state assessment; validate process maps; baseline profiling of RFQ and RFB cycle times and pain points; confirm requirements and KPI targets; solution design                         | Weeks 1–3                                                           | D2, D3       |
| 2. Build and configure               | Set up the Azure non-production environment; security configuration and testing; integrate with non-production SAP; configure RFQ workflows, controls and dashboards; user acceptance testing | Weeks 2–6                                                           | D4, D5       |
| 3. RFQ pilot run                     | Train the pilot user group; run live or shadow RFQs; measure against the baseline; interim results                                                                                            | Weeks 5–7 (interim results by December 2026), continuing to week 16 | D6, D7       |
| 4. RFB pilot run (parallel)          | Configure RFB workflow; run one RFB/tender in parallel; measure and report                                                                                                                    | Weeks 6–22                                                          | D8           |
| 5. Evaluation, roadmap and close-out | Final evaluation against success measures; architecture roadmap and scale-up business case; presentation to governance structures; return and deletion of data                                | Weeks 20–26                                                         | D9, D10, D11 |

**Training and knowledge transfer** run through phases 2 to 5: role-based training for end users, buyers, approvers and administrators, plus technical handover to DTIM. The aim is to leave Rand Water able to evaluate and, if approved, scale the solution.

## 8. Deliverables and acceptance

Payment will be made against deliverables accepted in writing by the Rand Water project manager, in line with the pricing schedule. Rand Water does not make advance payments. Licence fees (pricing item 3) are payable monthly in arrears from the date the environment is commissioned (D4).

| #   | Deliverable                                                                                                | Acceptance criteria                                                                                          | Pricing item |
|-----|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|--------------|
| D1  | Project plan, risk and issues register, and progress reporting (fortnightly)                               | Plan approved; reports submitted on time                                                                     | 1            |
| D2  | Inception report and baseline report (current-state process, cycle times, manual touchpoints, pain points) | Baseline figures agreed with SCM and Finance; KPI targets confirmed                                          | 2            |
| D3  | Solution design (architecture, integration, security, AI configuration, data flows)                        | Approved by DTIM and the business owner                                                                      | 2            |
| D4  | Environment commissioning report                                                                           | Solution running in Rand Water's Azure non-production environment; single sign-on and access control working | 4            |
| D5  | SAP integration and reconciliation test report; security test report                                       | Interfaces tested; reconciliations complete; no open critical or high security findings                      | 5            |
| D6  | Configured RFQ workflow, controls and dashboards (Use Case 1)                                              | User acceptance testing signed off by SCM and Finance                                                        | 6, 8         |
| D7  | RFQ interim results report                                                                                 | Results measured against the baseline; submitted by December 2026                                            | 6            |
| D8  | RFB pilot configuration and results report (Use Case 2)                                                    | RFB workflow tested; results reported                                                                        | 7            |
| D9  | Control narratives, process documentation, training material and training records                          | Approved by SCM and Internal Audit representatives; attendance registers                                     | 9, 10        |
| D10 | Integration and architecture roadmap; scale-up business case including life-cycle costing                  | Approved by DTIM and the business owner                                                                      | 11           |
| D11 | Final evaluation report and presentation; close-out report; data return and deletion certificate           | Accepted by the business owner; certificate received                                                         | 12           |

## 9. Success measures

Rand Water will judge the pilot against the measures below. In its proposal, the bidder must state the targets it commits to for each measure and how it will measure them. Baselines will be established, and targets confirmed, at inception (D2).

| Success measure                           | How it will be measured                                                                                                       |
|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| Procurement cycle time                    | Elapsed time per RFQ (and RFB stage), from approved request to award or purchase-order handover, compared with the baseline   |
| Reduction in manual processing and rework | Number of manual touchpoints, hand-offs and clarification loops ("back-and-forth") per RFQ, compared with the baseline        |
| Conversion rate (speed and accuracy)      | Share of requests that progress to award within the target time without being returned for correction                         |
| Compliance and audit-trail quality        | Share of transactions with a complete audit trail; control exceptions detected; ability to respond to recurring AGSA findings |
| Bid-splitting detection                   | Potential splitting cases and trends flagged, validated against a review of historical data                                   |
| Data accuracy and AI performance          | Accuracy of contract and document metadata extraction against a verified sample; SAP reconciliation match rate                |
| Real-time reporting and payment tracking  | Dashboard data latency; availability of purchase-order and payment status; usefulness rating by SCM and Finance users         |
| User adoption and satisfaction            | Active use by the pilot user group; user satisfaction survey results                                                          |
| Security and interoperability             | Security test results; compliance with zero-trust controls; interfaces working with SAP; open APIs                            |

| Success measure               | How it will be measured                                                                     |
|-------------------------------|---------------------------------------------------------------------------------------------|
| Viability of scaling          | Quality of the architecture roadmap; S/4HANA compatibility; life-cycle cost of full rollout |
| Pilot delivery (earned value) | Schedule and cost performance of the pilot, reported using earned value management          |

## 10. Governance and responsibilities

| Role                                             | Responsibility                                                                                                                                    |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Business owner – Chief Procurement Officer (CPO) | Owens the pilot outcome; approves key deliverables; confirms RFQ/RFB use cases and SCM process information                                        |
| Innovation and New Technologies (I&NT) Division  | Project coordination; scope management; coordinates stakeholders and incorporates benchmarking insights                                           |
| GCFO / Finance PMO                               | Finance project governance and documentation; Finance controls, reporting and integration requirements                                            |
| CTIO / DTIM                                      | Architecture, security, AI and environment requirements; provides the Azure and SAP non-production environments; approves technical deliverables  |
| Supply Chain Management                          | Process owners and pilot users; appointed buyer; user acceptance testing                                                                          |
| Service provider                                 | Delivers the scope, deliverables and reporting; manages its own resources and risks; complies with Rand Water policies and the Special Conditions |

The service provider will report progress fortnightly to the project team. Rand Water will report pilot progress through its executive governance structures, including the Top Management Committee (TMC) and ExCo. Issues that cannot be resolved by the project team will be escalated to the business owner.

## 11. Special Conditions of Contract

These conditions apply in addition to the General Terms and Conditions of the RFQ. Where the two conflict, these conditions take precedence.

**11.1 Pilot only.** This appointment is for a pilot. It does not commit Rand Water to any further procurement, licence or rollout. Licences do not renew automatically.

**11.2 Ownership of data and deliverables.** All Rand Water data, including data created or derived during the pilot, remains the property of Rand Water. Rand Water owns the reports, roadmaps, control narratives, configurations and documentation produced specifically for it. The bidder keeps ownership of its pre-existing intellectual property and grants Rand Water the right to use the deliverables without further charge.

**11.3 Confidentiality.** On appointment, the service provider must sign Rand Water's non-disclosure agreement. It must keep all Rand Water information confidential during the pilot and afterwards.

**11.4 Protection of personal information.** The service provider must comply with the Protection of Personal Information Act 4 of 2013 (POPIA). Where it processes personal information on Rand Water's behalf, it must sign an operator agreement.

**11.5 AI model training and data exposure.** Rand Water data must not be used to train, fine-tune or improve any AI model outside the pilot environment, or be disclosed to any third party, without Rand Water's prior written consent. All sub-processors must be disclosed.

**11.6 Data return and deletion.** Within thirty (30) days of pilot close-out, the service provider must return all Rand Water data in an open, usable format and permanently delete all copies from its own and its sub-processors' systems. It must then provide a signed deletion certificate.

**11.7 Information security.** The service provider must comply with Rand Water's ICT and information security policies. Security testing must be completed before any live data is used. Any security incident affecting Rand Water data must be reported within twenty-four (24) hours of detection. In addition, the service provider must list security certifications held (e.g. ISO/IEC 27001, SOC 2) and the date of the most recent independent security test.

**11.8 Key personnel.** The key personnel named in Schedule B may not be replaced without Rand Water's prior written approval. Any replacement must be of equal or better qualification and experience.

**11.9 Exit and transition.** The service provider must support an orderly exit. This includes exporting configurations and data and handing over documentation, so that Rand Water is not locked into the solution.

## **12. Clarifications**

Bidders must send any questions about this RFQ in writing to the buyer's e-mail address on the RFQ cover page. Rand Water will share its answers with all prospective bidders, in line with the bid submission conditions of the RFQ.

## ANNEXURE 2 – BIDDER RETURNABLE SCHEDULES

### Security and AI Disclosure Questionnaire

Answer each question. Attach supporting documents where relevant. Rand Water may verify answers during a demonstration.

| #   | Question                                                                                                                                              | Bidder response |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| C1  | Describe the solution architecture and list every component that would run inside and outside Rand Water's Azure environment.                         |                 |
| C2  | Where will Rand Water data be stored and processed (Azure region / country)? List all sub-processors.                                                 |                 |
| C3  | List every AI model used: provider, model and version, hosting location and purpose.                                                                  |                 |
| C4  | Does any model or embedded AI service retain, log or learn from Rand Water prompts, documents or outputs? If so, how can this be switched off?        |                 |
| C5  | How is each model configured or grounded for Rand Water (e.g. retrieval from Rand Water documents, prompts, rules)? Who can change the configuration? |                 |
| C6  | How are AI outputs logged, explained and audited? How is accuracy measured and reported?                                                              |                 |
| C7  | Which AI-agent actions can run without human approval, and which require it?                                                                          |                 |
| C8  | Describe identity and access management, including Entra ID single sign-on, multi-factor authentication and role-based access control.                |                 |
| C9  | Describe encryption in transit and at rest, and key management.                                                                                       |                 |
| C10 | Describe the SAP integration method (interfaces, data objects, frequency) and the approach to S/4HANA compatibility.                                  |                 |
| C11 | List security certifications held (e.g. ISO/IEC 27001, SOC 2) and the date of the most recent independent security test.                              |                 |
| C12 | Describe the data return and deletion process at close-out.                                                                                           |                 |

## Schedule B – Data Use, Confidentiality and AI Model Training Undertaking

The bidder must sign this undertaking. It is a pre-qualification requirement (RFQ 3.1.5).

I, the undersigned, duly authorised on behalf of the bidder, undertake that if the bidder is appointed:

- Rand Water data will be used only for the purposes of this pilot.
- Rand Water data will not be used to train, fine-tune or improve any AI model outside the pilot environment, and will not be disclosed to any third party, without Rand Water's prior written consent.
- All sub-processors and any processing outside the Rand Water Azure environment or outside South Africa have been disclosed in Schedule C, and no new ones will be added without Rand Water's written approval.
- The bidder will comply with POPIA and Rand Water's information security policies, and will sign Rand Water's non-disclosure agreement and an operator agreement.
- Within thirty (30) days of pilot close-out, all Rand Water data will be returned in an open format and permanently deleted from all bidder and sub-processor systems, and a signed deletion certificate will be provided.

|                                     |  |
|-------------------------------------|--|
| <b>Name of bidder</b>               |  |
| <b>Name of authorised signatory</b> |  |
| <b>Designation</b>                  |  |
| <b>Signature</b>                    |  |
| <b>Date</b>                         |  |