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| Request for Proposal (RFP) reference number | CORP MWP1324CX |
| Issue date | 22 April 2022 |
| Submission date and time | 27 May 2022 at 10h00 |
| RFP validity period | 18 months from the submission date and time |
| RFPs are to be delivered to the following address on the stipulated closing date and time | Eskom Holdings SOC Limited Tender Office Megawatt Park (Retail Centre) 1 Maxwell Drive Sunninghill 2157 |

Dear Sir/Madam

REQUEST FOR PROPOSAL: INVITATION TO SUBMIT A PROPOSAL TO ARRANGE FUNDING FOR ESKOM FINANCE COMPANY SOC LTD

Please take note that this is a confidential request and all information, including this request for proposal ("RFP"), should be treated as such. You are therefore prohibited from discussing or divulging the existence or contents of this RFP or any other information relating to this RFP to any third party without our prior written consent.

1. DEFINITIONS

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| "B-BBEE Act" | the Broad-Based Black Economic Empowerment Act No. 53 of 2003 |
| "Tenderer" | any legal entity or consortium that submits responses to this RFP as per procurement procedures |
| "RFP Response" | any reply submitted by a Tenderer in response to the requirements of this invitation |
| " Submission Date" | the date identified as the RFP Response Submission Date |
| "Eskom" | Eskom Holdings SOC Ltd, registration number 2002/015527/30, as incorporated pursuant to the Eskom Conversion Act No. 13 of 2001 |
| "EFC" | Eskom Finance Company SOC Ltd, a wholly owned subsidiary of Eskom, duly registered and incorporated in accordance with South African company laws, with registration number 1990/001322/07 |
| "Nqaba" | Nqaba Finance 1 (RF) Ltd, a RMBS issuer with listed instruments registered on the JSE with registration number 2005/040050/06 |
| "PFMA" | the Public Finance Management Act No. 1 of 1999 |
| "Preferential Procurement Policy Framework Act" or "PPPFA" | the Preferential Procurement Policy Framework Act No. 5 of 2000 |
| "RMBS" | Residential Mortgage-Backed securitisation |

2. OBJECTIVE

EFC is not core to the energy business of Eskom and is funded primarily on the Eskom balance sheet. Funding on the Eskom balance sheet increases public borrowings, which the Government wants to reduce or preferably remove entirely. In addition, the National Electricity Regulator is concerned about the possibility of EFC losses, which are not related to electricity supply, being borne by electricity consumers. Accordingly, EFC aims to establish itself as a viable, self-funded financial services entity offering its products and services to selected niche markets.

In order to establish such a self-funded entity, EFC wish to refinance its current Eskom funding. The current funding structure is mainly based on the strength of the Eskom balance sheet supplemented by a residential mortgage-backed securitisation programme implemented in 2006, which is in early amortization since July 2020 after having triggered an early amortization event.

The company requires a sustainable funding structure that will enable it to fund its operations on the strength of its own balance sheet without undue reliance on any of its macro customers, like Eskom.

The funding solution must achieve the following objectives:

- It must enable funding on the strength of EFC's balance sheet.
- It must be flexible enough for EFC to launch its own funding programmes as required from time to time.
- The company will need access to a wider investor base to ensure that it is able to raise funds at competitive rates, failing which, the company will battle to compete in the industry, particularly since the company will not be a deposit taking institution.
- The company must achieve high liquidity levels to enable it to meet its funding requirements, which are on a need-for-cash basis
- Funds must be available to accommodate daily cash requirements, which may not be easy to forecast accurately.

This is an open invitation to tender and the objective of this RFP is to solicit offers from credible (financial) institution(s) to arrange funding for EFC.

3 INTRODUCTION AND OVERVIEW OF EFC

EFC is a wholly owned subsidiary of Eskom.

EFC was established in 1990 with the objective of granting home loans to employees of the Eskom group of companies. These loans are secured by mortgages that are registered on the property and interest is charged at rates adjusted periodically by the EFC Board of Directors.

This rate approximates the prime interest rate charged by South African banks. The main determinant of the interest rate is the cost of financing. Eskom's Treasury Department is presently financing the majority of the mortgages. Financing is currently funded from Eskom's internal cash reserves. EFC then uses this rate as a basis for determining the rate that is charged to the employee. EFC, in determining its rate, attempts to cover funding costs, the cost of administering the mortgages, credit risk and a profit margin.

In 2006, EFC implemented a R5bn RMBS programme, and issued R1.66bn notes listed on the JSE under Nqaba Finance 1 (RF) Ltd (Nqaba/Issuer). Nqaba breached an early amortisation trigger in July 2020 when its arrear accounts (ex-employees) exceeded 2.5% of the total loan book and since then Nqaba has been repaying noteholders in descending order of rank.

Eskom furthermore assists its employees in acquiring property by providing an interest subsidy, which is paid monthly to all qualifying employees. This interest subsidy is calculated as the difference between the rate charged by EFC and the interest borne by employees in terms of their conditions of employment and is calculated as follows:

| Mortgage Amount | Rate Paid |
|------------------------|------------------|
| R200,000 | 2.5% |
| R300,000 | 5.0% |
| R500,000 | 7.5% |
| >R1m | 10.5% |

The mechanics of the subsidy on a mortgage of R1.2m @ 11% p.a. are as follows:

| Mortgage amount | Tiered rates | Eskom repayment | EFC repayment | Subsidy |
|------------------------|---------------------|------------------------|----------------------|----------------|
| 200 000 | 2.5% | R 790.24 | R 1 904.65 | R 1 114.40 |
| 300 000 | 5.0% | R 1 610.46 | R 2 856.97 | R 1 246.51 |
| 500 000 | 7.5% | R 3 496.07 | R 4 761.62 | R 1 265.54 |
| 200 000 | 10.0% | R 1 755.14 | R 1 904.65 | R 149.50 |
| 1 200 000 | 11.0% | R 7 651.92 | R 11 427.88 | R 3 775.96 |

The housing subsidy is an Eskom Condition of Service for all bargaining unit employees and is reviewed annually during salary negotiations. The subsidy is set at a minimum amount of R3,425p.m. subject to the calculation set out above. In the example above, EFC will deduct R11,427.88 from the employee salary and the employee will earn a subsidy of R3,775.96.

In the event of an employee defaulting, apart from repossessing the property, EFC has a first charge over the employee's cash benefits, except any pension benefits, due to the employee in the event of an employee termination of service.

EFC has enabled more than 14,200 Eskom employees, and those of its subsidiaries, to own residential properties. The company has steadily grown over the years with a total asset base of approximately R8.2 billion including R217m personal unsecured loans for which repayments are also deducted directly from payroll.

3. ELIGIBLE TENDERERS

Tenderers must be registered financial services institutions offering corporate and investment banking, advisory, capital raising or any other treasury related services.

Tenderers are deemed **ineligible** to submit a proposal if they have the nationality of a country on any international sanctions list. A Tenderer shall be deemed to have the nationality of a country if it has the status of a national or is constituted, incorporated, or registered and operates in conformity with the provisions of the laws of that country.

4. CONFLICT OF INTEREST

A Tenderer shall not have a conflict of interest. All Tenderers found to have a conflict of interest shall be disqualified. Tenderers must submit a form, see Annexure B, stating that none of its personnel have any involvement or interest in Eskom and any of its subsidiaries and likewise no Eskom personnel have any involvement or interest in the Tenderer's business with the response to this document or influence the decisions of Eskom during the bidding process.

A Tenderer may also be considered to have a conflict of interest with one or more parties in this RFP process, if they have a relationship with each other, directly or through common third parties, that puts them in a position to have access to information about or influence on the proposal of another Tenderer.

Alternatively, the bidder must disclose **ALL** such information in its response submission containing sufficient disclosure regarding any interests that may result in an actual or potential conflict of interest. Where any potential or actual conflict of interest arises after the submission of the proposal or during the term of the potential mandate, the Tenderer shall be obliged to immediately notify Eskom thereof in writing. Note that Eskom reserves the right to disqualify a Tenderer or terminate the services as service provider if there is, in the opinion of Eskom, any actual or perceived conflict of interest.

5. COSTS OF TENDERING

The Tenderer shall bear all costs related to the preparation and submission of their RFP responses. Neither Eskom nor EFC shall in no way be responsible or liable for any of these costs regardless of the conduct or outcome of the procurement process.

6. PARTNERSHIP

Provisions of the Preferential Procurement Policy Framework Act (PPPFA) of 2011 and its regulations will apply in terms of awarding points. Tenderers are required to submit original and valid B-BBEE Status Level Verification Certificates or certified copies thereof together with their proposals, to substantiate their B-BBEE rating claims. Tenderers who do not submit their B-BBEE status level verification certificates or are non-compliant contributors to B-BBEE will not qualify for preference points for B-BBEE.

In order to assist Eskom with its transformation and B-BBEE objectives, it is proposed that the Tenderer enhance their team with their choice of B-BBEE financial advisory firms.

7. SCOPE OF REQUIREMENT

Eskom is inviting credible (financial) institution(s) and companies to arrange cost-effective funding for EFC.

8. CONFIDENTIALITY

Eskom will keep all proposals confidential. As Eskom expects to receive innovative solutions with Intellectual Property, Eskom will use this RFP to decide on solutions that will be further shortlisted and formally engaged with. Eskom reserves the right to engage with and reach agreement with any of the companies and/or institutions that submit a proposal attractive to Eskom.

9. MANDATORY PROPOSAL RESPONSES

The RFP response should cover all the criteria stipulated in the attached Annexure A and must be a maximum of 20 pages, Arial font size 11. The Tenderer must submit the following:

- one (1) original, and four (4) copies of the original response,
- signed integrity declaration form,
- original or certified copy of B-BBEE verification certificate,
- original or certified copy of B-BBEE Partner's verification certificate,

Failure to submit the original response, associated copies and integrity declaration form will disqualify your submission. Failure to submit B-BBEE verification certificates will not result in disqualification but will impact the scoring.

An electronic copy of your proposal must also be sent to Ettienne Bester and Thokozani Nzimakwe by e-mail on BesterET@eskom.co.za and NzimakT@eskom.co.za before 10:00 on **27 May 2022**. Please also note that **ONLY the hard copies** submitted at the Tender Office will qualify as a valid proposal on the closing date and NOT the e-mailed copy.

10. EVALUATION CRITERIA

Responses to cover the criteria in Annexure A will be scored out of 90. B-BBEE status will be scored out of 10 in accordance with PPPFA. Tenderers will be ranked by applying the preferential point scoring based on the 90/10 principle. RFP Proposals who do not meet the threshold for the technical scoring will not qualify to be evaluated further and subsequently disqualified. The criteria for technical scoring will be as stipulated in Annexure A, with a threshold of 70%:

Following the scoring of the technical criteria and BEE credentials the criteria stated below will be considered:

- Cost structure,
- Indicative pricing, and
- Timing to implement.

11. LODGING OF PROPOSALS

Your proposal titled “**ESKOM FINANCE COMPANY RFP – 2022 FUNDING**” must be sealed in an envelope and delivered to Eskom Tender Office situated at Megawatt Park (Retail Centre), **before 10:00 on 27 May 2022.**

Please take note that proposals may be submitted before the closing date. Late proposals will not be accepted and will be returned to the sender.

12. DISCUSSIONS

Eskom reserves the right to call upon a prospective Tenderer to discuss its proposal in more detail as and when deemed necessary.

Short listed candidates should expect that on short notice, the core implementation team will be required to attend a one (1) hour clarification meeting during which thirty (30) minutes will be dedicated to the presentation of the proposal followed by a thirty (30) minutes question and answer session. The meeting could be in person or held via virtual means.

13. QUERIES/CLARIFICATION

Should there be questions/clarification or queries regarding this RFP please contact at all times the following Eskom representatives listed below. Please note that correspondence should only be in writing by email.

- **Name:** Ettienne Bester
Email: BesterET@eskom.co.za
- **Name:** Thokozani Nzimakwe

Email: NzimakT@eskom.co.za

All responses to queries will be communicated to all interested bidders simultaneously. Questions will not be responded to two (2) business days before the Submission Date.

14. IMPORTANT NOTICES

Even though Eskom has exercised all efforts in good faith to prepare the information contained in this document, neither it nor any of its directors, partners, employees, sub-contractors, intermediaries or agents, provide any assurances or guarantees, explicit or implied, in relation to this RFP. No representation or warranty, express or implied, is given by Eskom, or any of its respective directors, partners, employees, sub-contractors, intermediaries or agents as to the accuracy or completeness of any of the contents of this RFP.

By issuing this RFP, Eskom does not undertake any obligation to provide any further information, or to correct any inaccuracies in this proposal, or to correct any omissions, which become known at any time. Any costs and expenses incurred by the persons who replied to this RFP, or by their agents or advisers, will be the sole responsibility of such persons and Eskom does not undertake to cover such costs.

This enquiry may be cancelled by Eskom at any time prior to deciding on it, if it is not deemed necessary to continue with the procurement process due to a substantial change in circumstances, or if public interest and welfare dictate such.

Eskom reserves the right to accept or reject any RFP Response, and to cancel the RFP and reject all replies prior to the announcement of the successful Tenderers.

Yours sincerely

pp 

Richard Vaughan

GENERAL MANAGER, TREASURY

Date: 21 April 2022

ANNEXURE A

| Proposal Format and Evaluation Criteria | Weighting |
|--|-------------|
| Capability and Experience | |
| Demonstrate strong experience in asset backed financing transactions concluded over the past 5 years with respect to individual transactions in excess of ZAR1 billion. | 25% |
| at least 2 transactions | 50% |
| at least 5 transactions | 75% |
| More than 6 transactions | 100% |
| Team leader's years of experience in dealing with asset backed financing transactions for entities having borrowings in excess of ZAR2 billion. | 25% |
| at least 2 years | 50% |
| at least 5 years | 75% |
| More than 5 years | 100% |
| Demonstrate strong ability to raise debt/equity finance in excess of R1bn per transaction over the last 5 years. | 25% |
| at least 3 transactions | 50% |
| at least 5 transactions | 75% |
| More than 5 transactions | 100% |
| Ability to underwrite/bridge the Proposed Transaction | 15% |
| Up to R3bn | 50% |
| Up to R4bn | 75% |
| More than R4bn | 100% |
| BBBEE Partner | 10% |
| <ul style="list-style-type: none"> Name of your BBBEE Partner BBBEE status (please attach valid certificate) Highlight the major skills and knowledge transfers that has taken place during the tenor of this partnership Describe the possible role of your partner in this transaction | |
| TOTAL WEIGHTING | 100% |

ANNEXURE B

INTEGRITY DECLARATION FORM

(Form to be completed and signed by tenderer as Invitation to RFP returnable)

1. DECLARATION OF INTEREST

I/We understand that any natural/legal person, including employees of the State and/or those related to an Eskom employee/director (as per the definition of “related” set out hereunder), may tender to Eskom. However, in view of possible allegations of favouritism (the practice of showing favour to, or giving preference to some person/group, to the detriment of, or at the expense of another that is entitled to equal treatment or an equal opportunity), should the resulting tender, or part thereof, be awarded to such natural/legal person, as described herein, it is required that the *tenderer/s* declare such interest/relationship where:-

- the *tenderer/s* employees/directors are also employees/contractors/consultants/directors in the state or a state owned entity.
- the *tenderer/s* employees/directors are also employees/contractors/consultants/directors of Eskom
- the *tenderer/s* employees/directors are also employees/contractors/consultants or directors in another entity together with Eskom employees/consultants/contractors/directors
- the *legal person/s (including its employees/contractors/directors/members/shareholders)* on whose behalf the tender documents are signed, is in some other way “related” to an Eskom employee/contractor/consultant/director involved in the tender evaluation/tender adjudication/tender negotiation. “Related” meaning that:-
 - an individual is related to another individual if they are married, or live together in a relationship similar to marriage;
 - or are separated by no more than two degrees of natural or adopted consanguinity or affinity;
 - an individual is related to a juristic person if the individual directly or indirectly controls the juristic person, as determined in accordance with the definition of “control” (as per Companies Act section 2(1)) ; and
- **a juristic person is “related” to another juristic person if :-**
 - (1) either of them directly/indirectly controls the other, or the business of the other, as determined in accordance with the definition of

“control” (as per Companies Act section 2(1));

- (2) either is a subsidiary of the other; or
- (3) a person directly/indirectly controls each of them, or the business of each of them, as determined in accordance with the definition of “control”
- the *tenderer/s* and one or more of the *tenderers* in this tendering/RFP process have a controlling partner in common, or a relationship with each other, directly or through common third parties, that puts them in a position to have access to information about or influence on the tender/proposal of another tenderer, or influence the decisions of Eskom regarding this bidding process;

To give effect to the provisions above, please complete the table hereunder with all required information.

| Full Name & Capacity/ Position within tenderer (e.g. employee/Director/ member/ owner/shareholder) | Confirm and provide details (including employee number) if you are a State/State owned entity employee/contractor/ director | Full Names & Capacity/Position of Eskom employee/ director/ consultant and details of the relationship or interest(marital/ familial/personal/ financial etc.) | To your knowledge is this person involved in the evaluation/ adjudication/ negotiation of tenders |
|--|---|--|---|
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1. If any employee/director/member/shareholder/owner of Tenderer/s is also currently employed by Eskom, state whether this has been declared and whether there is authorisation(Y/N) to undertake remunerative work outside public sector employment, and attach proof to this declaration. _____
2. Do the tenderer/s and other tenderer in this tendering/RFP process share a controlling partner or have any relationship with each other, directly or through common third parties? (Y/N) If Yes, attach proof to this declaration. _____

I declare that I have read and understood the provisions of the Integrity declaration form, that all information furnished herein is correct, that it is understood that the Tenderer's proposal may be rejected, and that Eskom will act against the Tenderer should any aspect of this this declaration prove to be false.

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|---|--|
| Signature: | |
| Designation and capacity in which signing: | |
| Date: | |