

ANNEXURE F

SCOPE OF WORK

APPOINTMENT OF A LEAD TRANSACTION ADVISOR/S (OR A CONSORTIUM OF SERVICE PROVIDERS) TO PROVIDE TRANSACTION ADVISORY SERVICES FOR INFRASTRUCTURE PROJECT

1 INTRODUCTION

CEF (SOC) Ltd is a state-owned company (SOC) governed by the Central Energy Fund Act of 1977 and conduct 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 the potential acquisition of a petroleum infrastructure project. It is of 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.

2 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, valuations, develop business cases and/or recommendations to CEF and relevant government structures that will support Financial investment decision . The advisor is expected to support CEF from initiation up to and including financial close. The reports from the transaction advisors or specialists must be of acceptable standard to CEF and/or prospective lender(s).

3 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 has identified an opportunity to become an influential player in the petroleum liquid fuels whilst advancing its mandate of ensuring energy security through an

acquisition of one of the Crude Refinery in South Africa. CEF requires services of a transaction advisor to assist in acquiring the target. Seller and prospective buyers are dictating the acquisition process therefore the transaction advisor needs to have an appreciation as it may impact contract execution.

The scope of work/ terms of reference invite proposals from lead transaction advisors comprising of or representing a team (or consortium) of suitably qualified and experienced in conducting independent Due Diligence(DD) with the following work streams: **Financial Modelling & Project Finance; Capital Raising; Technical, Legal; Tax, Health, Safety and Environmental (HSE) and Socio-economic. The independent DD is to support the Business Case and Final investment decision on the target.**

The transaction advisory service providers will be required to provide services in a phased approach in line with the Seller's Process, which has yet to be defined by the following services:

Phase 1: Undertake a comprehensive feasibility, viability studies and/or preliminary due diligence (covering Legal and Financial) for different transactions, prepare business cases and provide a professional advice/opinion that will aid an investment decision for the CEF and/or its *partnerships, its subsidiaries and/or partnerships of the subsidiaries.*

Phase 2: If a "Go" decision is resolved, the lead transaction advisor, team (or consortium) will be required to provide advisory services throughout the acquisition/investment stages until financial close.

The scope of work will be divided in two (2) phases as indicated above. However, the lead transaction advisor will be required to submit a single bid, in the format prescribed in the terms of reference

4 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 (core business) and the percentage of work that will outsourced and/or subcontracted to other service providers:

SERVICE CATEGORY	CONSORTIUM PARTNER	Contract Allocation
Project Finance & Asset Valuation	Company ABC	##%
Capital Raise	Company DEF	##%
Legal & Tax	Company GHI	##%
Technical	Company JKL	##%
HSE	Company MNO	##%

Socio Economic	Company PQR	##%
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Note:

- The competency and capability of each of the consortium partners will be evaluated separately from a technical evaluation perspective. Therefore, a clearly marked response will be required for each of the above-mentioned areas.
- Each Consortium member administrative documents shall be required. These include CSD Number, Tax Compliance Status, and BBBEE 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 feasibility and viability 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 valuations of the asset(s) and/or investment(s);
- Present its views, opinions, and recommendation as to an optimal transaction structure, project financing and/or the capital raising;
- Prepare a funding strategy and tactic for capital raising, optimise capital raising conditions and lead the negotiations of the terms and conditions with the financiers and/or investors
- Provide guidance to CEF and prepare all required submissions/ documents to the seller and lenders. The documents may include Expression of Interests (EOI), Non-Binding Offer; Binding Offers; lender engagement and other transaction documents. on behalf of CEF.
- Conduct independent due diligence in all the streams highlighted below. Identify critical risks and factor their impact onto the valuation to get to the final price offer.
- Assistance in drafting, reviewing and negotiation all transaction Agreements that will include but not limited to Sale and Purchase Agreement (SPA), Financial Agreements, guarantee agreements and security agreement etc.

- Attend all other matters reasonably incidental to the transaction of this nature including inter alia:
 - Identifying to the extend required, suitable auditors, technical/engineering experts (if applicable), legal experts, tax experts, BEE consultants and including competition and antitrust law expert any other required service provider(s) to ensure effective and efficient implementation of the transaction / project
 - Assisting with compiling the notifications to the various regulatory bodies having jurisdiction over the transaction(s) or CEF, its subsidiaries, the target asset(s) and/or investment(s) (i.e. the Competition Commission, the Department of Minerals Resources and Energy, the National Treasury, etc.)
 - Assisting in the determination and/or reviewing the indemnities, warranties and insurance allocation:-including offer and of the purchase price; and
 - Reviewing and/or preparing relevant financial model(s)
- Review, analyse and model financial inputs during the due diligence of loans and investment application
- Assist in preparing reports for loans and loans and investment applications
- Provide transaction structuring advisory services for loan and investment applications
- Provide skills transfer plan to CEF staff on financial analysis and modelling.

5 WORK PACKAGES / DELIVERABLES

Category	Work package / Deliverables	Indicators / Activities
Transaction Advisory services	Commercial structuring of projects	Option analysis, report and recommendations
	Optimization of capital structure	Opinion analysis, report and recommendations
	Working capital management	Option analysis, report and recommendations
	Capital raising	Funding strategy or plans, list of existing partnerships, cost of the proposed capital structure
	Project financial modelling & valuations	Valuation report with Option analysis, scenario analysis and sensitivity analysis

	Acquisitions including due diligence	Due diligence report (covering financial, technical / operational, legal, and commercial).
	Project finance advice & arrangement	Process, Milestones, Opinions and submissions and/or recommendations to the EXCO and the Board.
	Transaction structuring including divestures	Option analysis
	Risk Management (including an mitigation strategies)	Risk Management strategy, contracts and exit strategies
Legal	Detailed review of commercial components of the offer and sale agreement including associated commercial documents of the transaction.	• Study the existing commercial contracts, off-take agreements, supply agreement and other enabling commercial contracts associated with the business. • Review of the offered Transaction itself and advise of the legal benefits and constraints • Review and consider the founding documents of the selling entity to establish legal structure of the entity and how transfer of assets would be managed post sale. • Assess the deal and how legal or acquisition will be treated by authorities and advise CEF. • 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 (SAPREF). • Identify the different economic sectors that merging companies participate in and advise of implications • Identify the required legislative enabling amendments that are necessary to bring into effect the realization of the transfer and merger of the assets into CEF post the sale. • Advise CEF and its Shareholder on appropriate legal strategy for achieving optimal legal arrangements with regards to the corporate income tax effects of group entities restructuring as well as associated liabilities, potential risk of litigation and review i.e. contractual, financial commitments of the entities and Decommissioning liabilities
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		Prepare the necessary legislation/MOI amendment write-ups Review and advice on the implication of Section 197 of the Labour Relations Acts in relation to transaction related employees of the seller.
	Group Governance model	• Provide legal advice on the Transitional arrangements of merging and aligning the acquired assets into CEF. • Legal Strategy towards managing transition – Proposed Governance Arrangements in accordance with best practices, including, but not limited to the King's Code on Corporate Governance and other legislative requirements.
	Legal Compliance Framework for the acquisition and merging of the assets into CEF, as a subsidiary of CEF	• Provide approach and advice on requisite compliance requirements that must be complied with in order to align and SAPREF entity as affiliate and subsidiary of CEF post the sale. • Consideration of Labour Relations issues and other processes that could be followed. Provide Advice

		on probable terminations and powers of transitional Board and its establishment.
	- Execution, roll-out and Support of CEF and /or its shareholder during and after transition	- Analyse and develop a unified Execution, roll-out and Support plan for managing existing external relationship of SAPREF entity and third parties after financial close and during the transitioning period into CEF Group. - Define key capabilities that will support the business during and post-acquisition process - Assess and advice on potential risk and mitigations to be considered for the current human capital policies, procedures and practices, particularly that relate to governance, legal, approved benefits, limitations, finance and technical capabilities.
	Land and Property Rights	Review all rights and consent including licenses and servitudes to establish validity. To also identify if the related costs are adequately provided for in the budget.

		Clarify the country limits of the transaction. Is the Bouy associated pipelines and servitudes part of this transaction, This is critical as this is the gateway for crude supply into the refinery.
Technical	Completeness of information provided by Seller	Review technical information provided and verify the required information is sufficient to conduct the technical Due Diligence. A gap analysis will also be performed to highlight deficiencies and the associated implications for the Due Diligence
	Asset Integrity	Review the maintenance philosophy; compliance to maintenance plans and; inspection records to determine the current conditions and remaining life of all major components of the petroleum infrastructure including but not limited to: • Process equipment and piping, including by not limited to: • Reactors • Columns • Heat Exchangers • Pressure vessels • Boilers and steam generators • Tanks • Rotating Equipment ▪ Pumps and motors ▪ Turbines ▪ Compressors

		• Statutory inspections of the above equipment up to date • Equipment still within design code specifications • Design code deviations (if any) Other requirements deemed necessary by the Transaction Advisor Review and confirm certificate of fitness from Department of labour. Review and confirm that all other operating permits up to date and advise on required renewal of permit(s), if any. Review the maintenance plans, shutdown and turnaround plans and confirm if CAPEX and OPEX provision in the financial model are adequate. Review the filming of financial close in line with the statutory outage planning 2022 and advise how to optimally prepare for change of ownership
	Operating Capability	• Review Operational Process Manual to verify if the organization is adequately resourced. Compare the Process Manual to the industry standard for international infrastructure projects. If the Process Manual is inadequate make improvement recommendation Review the operations team forming part of the sale and verify that the team is fit for purpose. This should include (but not limited to);

		• suitability of the organization chart structure and roles, • resource qualifications and experience and, • Location of the resources and their integration into the acquiring entity.
	Operational Performance	Performance of overall plant as compared to design and seller claimed capacity throughput
	Operational Expenditure	To operate plant at optimal performance conditions
	Decommissioning Provision	Review the adopted decommissioning philosophy which is the basis for Decommission budget Assess the reasonability of the provision made on the Decommissioning model and benchmark it against industry standards. Give a professional opinion on whether the provision is adequate or should be amended and by how much.
	Technical Support Contracts	Identify and review all contract all critical commercial contracts necessary for operations and maintenance. Advise on the best approach to ensure seamless transition post financial close. (Cede as is or negation or replace)
	(15 Years) Forecasted Capital Program	Review capital program requirements to: • maintain plant in operational condition as per design and operating codes; • and advise if there is provision for the pending

		regulatory changes such as Clean Fuels 2 and Carbon Tax Bill. If not prepare ROM estimates for compliance to such changes and advise financial stream to consider it in the final price offer.
	Process Design and Flow	Process design and flow compared to current best practice
	ISO Specifications	Current ISO Ratings of Plant
	QA / QC Systems	Status and ISO Ratings of QA/QC Systems Facilities and Equipment Documentation and Records Materials Management Laboratory Controls Production QC
	Process Controls	Current Status of process control systems Expected life of controls systems Anticipated update / replacement of control systems
	Plant Tour	Detailed observations from physical plant tour including but not limited to: - General Site layout and condition - Workshops and maintenance areas - Maintenance material control and flow - Production (process) material flow - Equipment spacing (for maintenance & other technical interventions) Contamination prevention
	Any other Work Package deemed necessary /	TBA by Transaction Advisor

	recommended by Transaction Advisor	
HSE	Health	Review Occupation Health Risk of associated Staff and COIDA compliance. Assess and quantify pending COLD Case Review and quantify incapacity cases Review to compliance health and Safety Requirements
	Safety	Review incident records as well as insurance claims. Conduct an independent insurability risk and advise on how it is to be factored into the price
	Environmental	Review CAPEX and OPEX provision for the pending regulatory chances. Review the Environmental Compliance Register and establish if there is adequate provision in CAPEX and OPEX for the current regulatory framework Review and advise on emissions levels in terms of: • Design and permitted emissions levels • Current emissions levels Review and advise on environmental permits in place and required renewals thereof. Any other environmental work package(s) deemed necessary / recommended by Transaction Advisor.

Socio Economic	-	Quantify direct and indirect jobs affected by the transaction Identify the SMME scope in supporting continued operation and advise on future opportunities that could advance youth and women empowerment.