

TERMS OF REFERENCE

Tunisia: Compliance Action Plan

1. BACKGROUND

The European Bank for Reconstruction and Development (“**EBRD**” or the “**Bank**”) has signed a loan with the Société Tunisienne de l’Electricité et du Gaz (“**STEG**” or the “**Client**”), for a total amount of EUR 46.5 million to be provided alongside an up to EUR 46.5 million loan from the European Investment Bank (“**EIB**”). The operation will enable the Company to reinforce and strengthen the electricity transmission network in Tunisia, in order to enhance its performance and reliability (the “**Project**”).

As part of the associated Technical Cooperation package provided by EBRD, the Client now intends to engage a consultancy firm (the “**Consultant**”) to improve its integrity-related compliance and internal controls policies and procedures. The Consultant will support STEG in devising, adopting and implementing such measures by designing a detailed and comprehensive Compliance Action Plan (“**CAP**”) (the “**Assignment**”). Hence, the Bank's loan agreement includes a covenant for STEG to draft and implement a Compliance Action Plan aiming at improving its compliance procedures. The recommendations and support provided by the Consultant are to be based on best international practice (e.g. Transparency International’s Business Principles for Countering Bribery, OECD Guidelines for State-Owned Enterprises).

2. OBJECTIVES

The objectives of this assignment are:

A. Analysis of Compliance Requirements and Needs. The objective of this phase is to analyse and assess (i) the compliance system related to integrity aspects and existing internal control policy and procedures ; (ii) the compliance requirements and needs impacting the Company and (iii) provide recommendations to manage the Company’s activities and operations in a compliance-effective environment.

B. Developing a detailed Compliance Action Plan. The Consultant will prepare a detailed Compliance Action Plan which sets out a detailed roadmap for the implementation of the Analysis of Compliance Requirements and Needs's phase recommendations. The CAP should be sufficiently clear and detailed to allow the senior management of STEG to (a) identify the resources required to be committed to its implementation, (b) assess the operational implications of its implementation and (c) monitor progress in implementation. The PSC has to include priority actions and a schedule including important stages.

C. Supporting the Company in the implementation of the CAP. The Consultant will assist STEG in implementing the CAP. Support provided by the Consultant during the Implementation phase will include (i) responding to questions and queries relating to the Action Plan and (ii) providing trainings on best international practices on compliance aspects to STEG’s compliance team. The duration of this support will last four months from the submission of the Action Plan. This

support will take the form of half-yearly discontinued support during 24 months following the submission of the CAP.

3. SCOPE OF SERVICES

The Consultant shall perform the tasks outlined below.

Task 1: Analysis of Compliance Requirements and Needs

The Consultant will carry out the analysis of the compliance landscape of the company and the statutes, laws and regulations affecting all functions of the business the company is involved in. The Consultant will also collect all compliance rules, regulations, whistleblowing mechanism and standards affecting the company and define the elements required by STEG in terms of people, management structure, policies, systems, procedures, documentation, methods and tools to be effectively employed to carry out and implement the whole compliance process. Based on this the Consultant will prepare a detailed report including recommendations based on the findings to be implemented by STEG and including people, managerial departments, policies, systems, procedures, documentation and tools to be developed in order to conduct and implement a compliance function and a process related to integrity aspects.

Task 2: Developing a detailed Compliance Action Plan

The Consultant's work will be based on interviews, site visits and review of documentation collected throughout the task 1. Based on this the Consultant will prepare a detailed CAP. For each recommendation, the Consultant will:

- Prepare the timeline for implementation, specifying the (i) current stage, (ii) target start date, and (iii) target finish date;
- Indicate priority for implementation;
- Identify the appropriate sequence of events necessary for successful implementation;
- Identify the resources needed for successful implementation;
- Specify whether the recommendation will be applied on the Company level or also throughout the subsidiaries. In case the recommendation needs to be applied on the subsidiaries' level, the Consultant will be required to specify the necessary steps;
- Identify the relevant personnel/department(s) responsible for initial and subsequent implementation;
- Identify the relevant output documents including, but not limited to, manuals, reports, procedures, training documents... The Consultant is also required to specify the nature of output documents contents (i.e. table of contents);
- Identify the training required for successful implementation with specifying the relevant personnel/department(s) to be trained.

Certain key elements of the CAP should be set out in detail, specifically (1) the proposed training courses, for which outline agendas and topics to be covered should be prepared, and (2) the compliance manual, for which a very detailed table of contents should be prepared.

Task 3: Supporting the Company in the implementation of the CAP

The Consultant will advise the Company in the implementation of the CAP, (i) by providing advice on specific issues when requested and (ii) by carrying out training programs on best international practices in terms of compliance procedures to the compliance team of STEG. This

is has to include a “Training for trainers” session in order to allow the compliance team of STEG to provide trainings to the rest of the staff. If the CAP requires the implementation of specific actions (e.g., board evaluation), these will be contracted by STEG separately, but the Consultant shall remain available up to 12 months from completing Task 2.

4. DELIVERABLES

The Consultant will provide:

- (i) A draft report of the design phase and obtain approval from both the Bank and STEG’s management for the execution of the next phase.
- (ii) A draft CAP within 12 weeks of the commencement of the work. This proposal will subsequently be reviewed by the EBRD and the Company.
- (iii) A final CAP, reflecting the comments of the Company and EBRD within two weeks of receiving those comments.
- (iv) Assistance to the Company in drafting the internal documents such as policies, codes, and procedures required for the implementation of the CAP by proposing table of contents and manuals needed. Actual development of policies, codes and procedures is out of scope. The Consultant will specify what manuals are needed and propose table of contents, but will neither develop them nor assist in developing them as part of this engagement.

5. IMPLEMENTATION ARRANGEMENTS AND REPORTING

The Consultant will be hired by the EBRD and report to the Client and the deliverables have to be submitted to STEG with a copy to EBRD.

The CAP should be prepared in Arabic, French and English. The CAP should be comprehensive, precise and accurate.

Task 1 and 2 will be required to commence as soon as the Consultant is selected and end by no later than 31 December 2019. The assignment has to start as soon as the Consultant is selected and last no later than 31 December 2021.

The Consultant fees are based on the objectives defined in the context of this assignement. Additional fees related to potential additions/modifications will be negotiated.

The ‘expected durations’ for each workstream are indicative only and the elapsed time and the actual time spent will depend on the frequency of interactions with the stakeholders and feedback on the Consultant’s draft deliverables.

The time and resource estimates proposed by the Consultant are contingent upon the integrity of these assumptions. To the extent that if they fail to hold true, EBRD agrees that resource estimates will likely increase and / or that delivery milestones will likely be delayed, and agrees to work with the Consultant to negotiate mutually acceptable adjustments to project staffing, timing and professional arrangements.

STEG’s management shall be fully and solely responsible for applying independent business judgment with respect to the services and work provided by the Consultant, to make implementation decisions, if any, and to determine future courses of action with respect to any

matters addressed in any advice, recommendations, services, reports or other work product or deliverables submitted to STEG.

The Project will be required to commence as soon as the contract is signed and end by no later than 31 December 2021. The Company and its main subsidiaries will cooperate with the Consultant for the entire duration of the assignment. The Consultant will be required to travel to the Company's headquarters to conduct interviews and meetings with the Company's staff.

STEG will assign a Project Co-coordinator at the beginning of the project to be responsible for coordinating this project and core team members from STEG. The Project Coordinator will be the single point of contact.

The Consultant will interact with STEG team members on a day to day basis for obtaining information and documents and joint review and development of processes.

STEG will provide reasonable assistance to help the Consultant achieve successful completion of the engagement within the targeted time frame, particularly when providing requested information and feedback on reports and issues raised during the assignment. This includes:

- Fulfilling advance data requests from ;
- Facilitating access to senior executives within STEG
- Arranging the confirmation of participation from STEG participants;
- Timely feedback on deliverables at key decision points;
- Participation in all meetings relevant to the successful execution of this project; and
- Active participation to facilitate the timely resolution of project related issues.

6. CONSULTANT PROFILE

It is expected that the Assignment will be led by an appropriately qualified in corporate governance and implementation of compliance plans including Corporate Governance best international practices (eg. Transparency International's Business Principles for Countering Bribery, OECD Guidelines for State-Owned Enterprises) in complex structures with relevant experience in the Electricity and Gas sectors in public institutions preferably in Tunisia or countries with comparable conditions.

The Consultant's expert team will preferably include the following Key Experts:

- **Key Expert No. 1:** Team leader shall be a Corporate Governance specialist with at least one comparable project in implementing Compliance Action Plan in the Energy and Gas sector, including knowledge in Corporate Governance best international practices, experience in advising public entities and has preferably worked in Tunisia or countries with comparable conditions;
- **Key Experts No. 2:** Corporate Governance specialist with Compliance backgrounds, and at least one assignment related to implementing Compliance Action Plan and has preferably worked in Tunisia or countries with comparable conditions;
- **Key Expert No. 3:** A local Corporate Governance assistant specialist and/or legal expert, with previous professional experience in working in Tunisia.

Fluency in French is mandatory and English is preferred. During vacation periods or any other periods of absence, replacement should be made by the consultant.

7. CONFIDENTIALITY

The Consultant will keep all information in these ToR, the design report, the CAP and all information associated with the assignment strictly confidential.