Annex 2

Terms of Reference

1. Background

The European Stability Mechanism (the "**ESM**") established in October 2012, is a supranational intergovernmental organisation with the mandate to safeguard financial stability in the Euro area by raising funds in capital markets and to finance loans to Euro area Member States. Since its establishment, the ESM has been continuously building its operations to ensure its mandate can be fulfilled in an optimal way. In order to perform these activities, the ESM needs the Services performed by external consultant resources in the realm of €10m per year.

2. Overview

The ESM intends to conclude multiple framework contracts (the "**Framework Agreement(s)**") with various providers (the "**Service Provider(s)**") for the provision of consultancy services (the "**Services**") to support the ESM in different business areas and activities (the "**Discipline(s)**") divided into four CATEGORIES:

- CATEGORY 1 - Financial services
- CATEGORY 2 - IT services
- CATEGORY 3 - Corporate services
- CATEGORY 4 - Banking and economic services

Each CATEGORY is made up of various Disciplines. The Disciplines are described in detail in Appendix A below. Candidates will provide evidence of their capabilities as requested under Annex 1 Technical Response Template for each Discipline they are bidding for.

Within each Discipline, various profiles are required, please see the table below in section 3 "Services required". For every Profile required, different levels of experience are needed.

The Services will be performed either at the ESM's offices in Luxembourg or remotely, or a combination of both (hybrid) depending on the specific needs detailed in each Mini-Competition. Annex 7 Mini-competition template is included in the procurement documents, for information.

The consultants performing the Services on behalf of the Service Providers (the "**Consultants**") may be required to perform project type assignments, to periodically replace the ESM staff members or augment the teams within the ESM, etc. Depending on the needs, the ESM may require individual Consultants or teams of Consultants.

The successful Service Providers, with whom the ESM will sign the Framework Agreements, will be put on a so-called "**Consultancy Panel**". The ESM intends to establish multiple framework agreements with several Service Providers. Should the Service Provider be successful in multiple Disciplines, only one Framework Agreement will be signed between the ESM and the Service Provider.

The ESM's official working language is English. To this end, all proposed consultants must have a "very good" to "high" level of English both written and verbal. In addition, all administrative matters with successful Service Providers with whom the ESM will sign Framework Agreements, including but not

limited to the Framework Agreement itself, invoicing, account management, and reporting will also be conducted in English.

Candidates may respond to one, multiple or all Disciplines as further described in this document.

3. Services required

The Service Providers may be required to provide consultancy services to the ESM in the following Disciplines (segregated into four CATEGORIES as further described below and in Appendix A to these Terms of Reference):

CATEGORY 1: Financial services

DISCIPLINES			
1. Financial instruments	2. Market Infrastructure	3. Capital Markets functions	4. Risk management

CATEGORY 2: IT services

DISCIPLINES			
5. IT financial systems	6. IT Security	7. Enterprise / IT architecture and infrastructure	8. Outsourced service providers and cloud services
9. Application development	10. Digital transformation	11. ERP platforms	12. Microsoft applications
13. Corporate IT Generalist			

CATEGORY 3: Corporate services

DISCIPLINES			
14. Communications	15. Human resources and organisation	16. Audit	17. Administration, controls and compliance
18. Insurance advisory services	19. Procurement	20. Policy review, development and evaluation	21. Board Affairs and Shareholder Relations
22. Internal policies, processes and internal controls	23. Business Continuity Framework Development	24. Records Management	25. Data Governance
26. Data Management	27. Information security	28. Environmental, social and governance framework	29. Strategy development and performance management
30. Project portfolio, programme and project management	31. Business analysis	32. Change management	33. Physical security and Facilities Management (FM) support

34. Compliance and ethics advisory services	35. Personal data protection advisory services (excluding legal services)	

CATEGORY 4: Banking and economic services

DISCIPLINES			
36. Macro-economic and financial risk assessment and evaluation of financial assistance programmes	37. Macro/micro-economic and financial sector data analysis and systems	38. Common Single Resolution Fund backstop, Direct Recapitalisation Instrument and repayment capacity assessment	39. Bank restructuring, non-performing loans disposal, asset management companies and distressed asset management
40. Banking sector's future developments like Fintech, BigTech, business model evolution			

The Service Providers should be able to provide the following Consultants' profiles (individually a "**Profile**" or collectively the "**Profiles**"):

CATEGORIES	PROFILES						
	Project Manager	Business Analyst	Subject Matter Expert	Quality Assurance tester	System Analyst	Developer	PMO Support
1	✓	✓	✓				
2	✓	✓	✓	✓	✓	✓	
3	✓	✓	✓				✓
4	✓	✓	✓				

The Consultants should possess the following depth of knowledge and experience:

Consultant types	Experience in the Discipline / responsibility in the company
Junior Consultant	Up to and including 3 years of experience
Consultant	At least 3 years of experience
Senior Consultant	At least 7 years of experience
Expert Consultant	At least 10 years of experience
Managing Consultant/Partner	Consultant with a decision power in the consultancy company and highest degree of seniority, within the Discipline.

Notwithstanding the above, the Candidates may be required to provide Consultants having various combinations of knowledge and experience.

The ESM understands that the Candidates may have their own categorisation/choice of terminology of Disciplines, Profiles or Consultants. However, the ESM requires that the Candidates adapt to the above terminology in responding to this procurement procedure and in the resulting agreements.

4. Requirements for Consultants

a. Independent of the Category, Discipline, Profile or Consultant type, the proposed Consultants must also possess the following capabilities:

- Excellent written and spoken English;
- Excellent communication skills, including ability to write clearly and concisely;
- Excellent organisational skills;
- Good skills in project management methodologies and software (only for Project Managers);
- Experience in similar assignments in financial institutions, capital markets or risk area (only mandatory for CATEGORY 1);
- Experience in delivering relevant technology solutions (only mandatory for CATEGORY 2);
- Experience in similar assignments in banking and economic area (only mandatory for CATEGORY 4).

5. Deliverables

Consultants will typically be required to provide the following activities and deliverables in addition to any specific deliverables defined in the relevant implementing contracts signed under the Framework Agreements:

- Organise and facilitate meetings and workshops in the area of expertise related matters;

- Liaise with the ESM staff members and other stakeholders and consolidate their inputs; and document and facilitate the decision making processes;

- Perform any research and/or analysis if required;

- Create relevant documents, reports or presentations as required.

6. Implementation arrangements

- The ESM will not provide any administrative support to the Consultants. For each assignment the ESM will decide whether an office space and the ESM system access (only if required for the role and agreed between the ESM and the Service Provider) would be provided;

- Unless otherwise agreed between the ESM and the Service Provider, the ESM will not provide any hardware and/or software to enable the Consultants' day-to-day activities.;

- Unless otherwise agreed with the ESM, all Consultants will be required to sign a

confidentiality undertaking in order to perform services at the ESM premises, a Security Information Acknowledgement Form and a GDPR consent form. The confidentiality provisions included in the Framework Agreements will take precedence over and replace the terms of the confidentiality undertaking;

- Unless otherwise agreed with the ESM, the time the Consultants spend on travelling, including but not limited to travelling to and from any meetings related to the performance of the Services, will not be recognised as a chargeable time;

- The ESM does not take responsibility for training the Consultants. It is the Service Provider's responsibility to ensure that its Consultants providing Services to the ESM have the appropriate level of knowledge, skills and experience relevant to the tasks. In exceptional circumstances and at the special request of the ESM, the Consultants may be invited to attend a technical training course, organised by the ESM at its premises or remotely.

7. Pricing

All information about pricing is included in the Annex 6 Draft Framework Agreement.

Please pay attention to the concept of Professional Day as daily rates are applicable to a Professional Day, as well as the applicability of travel and accommodation expenses.

ESM would also like to draw your attention to the terms of payment and the discount mechanism.

8. Ordering under the Framework Agreement

The ordering mechanism under the Framework Agreements (mini-competition and direct award) will be as set out in Article 7 of the Annex 6 – ESM Draft Agreement. All implementing contracts under the Framework Agreement will be awarded in accordance with the provisions laid down in the Framework Agreements regardless of the contract value of the implementing contracts. For the avoidance of doubt, Article 10 (with the exception of Article 10.1.1.1. a)) of the ESM Procurement Policy will not apply.

9. Changes to Consultants

The Service Provider will replace Consultants and/or provide an adequate replacement of any Consultant who:

a) Is in the ESM's opinion incapable of carrying out the specified services to the required standards. In such case, upon the ESM's request the Service Provider will propose a competent replacement Consultant and will replace the Consultant in question no later than within one week after receipt of notification from the ESM.

b) Is no longer able to carry out the services due to periods of unforeseen events (either temporarily or prolonged periods). In such case, the Service Provider will inform the ESM as soon as possible and will take immediate steps to identify a competent replacement Consultant.

The ESM will reserve the right to assess the technical competences of any proposed replacement

Consultant. The replacement Consultant will be given sufficient training by the service provider during an adequate handover period (where possible) so that they may be immediately operational. Any such replacement and training will be carried out at no additional cost to the ESM.

Where a replacement is undertaken, the Service Provider will ensure the continuity of service necessary for performance of an implementing contract.

The daily rates for any replacement Consultant will be the same or lower.

10. Reporting

Reports may be required by the ESM from time to time for quality, contract performance, or operational monitoring, as well budget and cost information.

The Service Provider will submit reports in English. The Service Provider will aim to submit the reports to the ESM within two (2) weeks of the request from ESM.

Reports may include:
- Consultancy activities, including performance or under performance;
- Financial and budget management information, discounts;
- Complaints, if any;
- Observations, questions, suggestions for improvement;
- Any other information requested by the ESM.

11. Meetings

The representatives of the Service Provider and the ESM may meet on ad-hoc basis, if required by the ESM.

Those meetings will be scheduled by the ESM and will have an agenda which will be sent to the Service Provider at least one week in advance of the meeting, to allow meeting participants a reasonable opportunity to prepare for the meeting. The agenda of the meetings will be based on the reports prepared by the Service Provider and any other matters deemed important by the ESM and the Service Provider.

Appendix A
Disciplines

CATEGORY 1: Financial services

1. **Financial instruments**– as an example but not limited to fixed income, exchange-traded futures and OTC derivatives.

2. **Market infrastructure** – as an example but not limited to central clearing, continuous linked settlement (CLS), Target2 and Target2Securities.

3. **Capital markets functions** – as an example but not limited to debt issuance, asset management, treasury, EMIR regulation, collateral management, post-trade operations (from trade validation and confirmation matching to limits monitoring and clearing & settlement), financial analytics (modelling, tools specifications and development) and accounting.

4. **Risk management** – as an example but not limited to services in the areas of:

   - **Market Risk and Reporting** that relate to risk identification, assessment, treatment and management; risk register development; calculation management; reporting, development of methodologies; liquidity and funding risk management framework (intraday liquidity risk, liquidity stress testing etc.); collateral management.

   - **Credit Risk** that relate to guidance and review of credit risk areas, evaluation, design and implementation of a robust credit risk management framework (governance, processes, models, data and reporting) including any advice on regulatory requirements, best practices and risk appetite constraints, provision of recommendations or development of tools, methodologies and models to address different issues.

   - **Operational Risk** that relate to improvements of processes and procedures, guidance, review, assessment and support of operational risk areas.

CATEGORY 2: IT services

5. **IT financial systems** – as an example but not limited to Murex, Calypso, Bloomberg, Reuters, Algorithmics, Kamakura, MSCI, SWIFT etc. to provide support for financial systems, manage change requests, processes, procedures or other work practices related to the development and configuration, maintenance, support, enhancement, testing and operation of the ESM financial systems.

6. **IT security** – as an example but not limited to oversee any and all technical solutions, processes, procedures or other work practices intended to prevent unauthorised access, use, disclosure, disruption, modification, inspection, recording or destruction of the ESM's information or data. The IT security services will consist of threat intelligence, review of IT controls, penetration tests (web application, WIFI, mobile, or any other part of the ESM's IT infrastructure etc.), security reviews (IT architecture, IT physical security measures and stress tests etc.), vulnerability assessment and continuous monitoring, user behaviour analytics,

incident response, forensic services, development and testing of incident mitigation plan, assistance to recovery, reverse engineering, cyber threats countermeasures, IT security training and awareness, or general advisory on IT security.

7. **Enterprise / IT architecture and infrastructure** – as an example but not limited to oversee any and all, technical solutions, processes, procedures, change management or other work practices related to the development, management or operation of the ESM's enterprise and/or technical architecture and infrastructure estate. This also cover review of IT strategy and planning including alignment with the business strategy and other related modelling topics, the design and modelling of business processes, including related tooling.

8. **Outsourced service providers and cloud services** – as an example but not limited to oversee any and all, technical solutions, processes, procedures, change management or other work practices related to the development, management or operation of the ESM's outsourced and cloud based services. This includes topics related to IT Service Management (ITSM) including Information Technology Infrastructure Library (ITIL) best practice adoption and tools, and IT governance topics including IT risk management, budgeting and contract management.

9. **Application development** – as an example but not limited to, oversee and contribute to developing any and all, innovation strategies, technical solutions, processes, procedures, change management or other work practices related to the development, maintenance, support, enhancement, testing, roll out or operation of the ESM's business applications. In particular the use of best practice software development methodologies (test driven development, functional programming, automatic testing, databases development, data infrastructure integration, Rest APIs, etc.), practices (peer review, scrum, Kanban etc.), tools (Jenkins, Apache Cassandra, Elastistack, Git, Cucumber etc.), languages (Java, Python, R, SQL, Angular, Apache Camel, Spring boot etc.) to deliver solutions to end users.

10. **Digital transformation** – as an example but not limited to provide expertise on different topics related with innovative tools (artificial intelligence, natural language, processing, data visualisation etc.), with innovative problem solving practices (design thinking, problem framing and concept management workshops etc.) especially related with financial and public sector.

11. **ERP platforms** – as an example but not limited to, oversee any and all, technical solutions, processes, procedures, change management or other work practices related to the development, maintenance, support, enhancement, testing, roll out or operation of the ESM's ERP systems currently Oracle but other ERP platforms may be in scope of future works.

12. **Microsoft applications** – as an example but not limited to, oversee any and all, technical solutions, processes, procedures, change management or other work practices related to the development, maintenance, support, enhancement, testing, roll out or operation of the ESM's Microsoft applications particularly Office 365. Office 365 is at the heart of the ESM's future digital workplace. A range of consultancy services both on governance/security topics as well as how functionally to leverage on the ESM requirements will be required to gain the maximum business benefit. Support the creation, control, distribution, retention and final disposition of information in accordance with legislations, regulations and leading business practices to manage information with the same priority and security as other business assets.

To review processes and systems (SharePoint) that can provide better access to the increasing amount of documents, emails, and other unstructured information.

13. **Corporate IT Generalist**: oversee and managing a wide range of technical solutions, processes, and procedures across various IT domains. As an example but not limited to,

- Overseeing the day-to-day operation in a provider operated, outsourced IT environment
- Handling outsourced service providers and cloud services
- Supporting Rollout initiatives, including change management
- Responding to ad-hoc management requests, proactively looking for end user service improvements
- Managing demands and requests around enterprise architecture and infrastructure
- Supporting digital transformation and change management initiatives
- Supporting requests for ERP platforms and Microsoft applications (365. PowerBI, Copilot, SharePoint, Azure)
- Drafting procurement requests, contracts amendments and internal business justifications together with the procurement team
- Managing Audit demands

CATEGORY 3: Corporate services

14. **Communications** – as an example but not limited to website development consultancy services, editorial and design work, multi-media content creation, pre-press, visual and/or graphic design, text editing.

15. **Human resources and organisation** – as an example but not limited to services in the areas of:

- **Talent management services** that relate to selection and recruitment, staff engagement and satisfaction surveys, learning and development, performance management, organisational development, team building events (planning and delivery), surveys etc.

- **Rewards and employment services** that relate to workforce management and succession planning, budgeting, compensation and benefits, HR administration and employee relations.

- **HR shared services** that relate to HR systems and analytics, business intelligence, AI for HR; data management processes and practices, HR KPIs and benchmarks etc.

16. **Audit** – as an example but not limited to services in the areas of:

- **Internal audit services** under co-sourcing arrangements.

- **Provision of auditing services under the direction of the Board of Auditors (BoA)** - advisory and operational support to ensure thorough and independent audits of

institutional activities. This includes providing specialized auditing services and expert support to assist the BoA in reviewing financial statements, operations, and compliance with relevant policies and regulations. Services also encompass conducting detailed audits, offering expert insights and recommendations to enhance operational effectiveness and efficiency, preparing detailed audit reports, and presenting findings to the BoA. Additionally, providing actionable recommendations for improvements, assisting in the implementation of audit recommendations, and monitoring progress are key elements of these services.

17. **Administration, controls and compliance** – as an example but not limited to services in the areas to perform the necessary controls to ensure that practices are in line with audit requirements (allowances, benefits, absence management, preventive care etc.); planning and monitoring the budget; developing policies and procedures to support automation and reporting.

18. **Insurance advisory services** – as an example but not limited to provision of insurance advisory services related to building, D&O, third party liability insurances etc.

19. **Procurement** – as an example but not limited to procurement activities in both public and private procurement domains, leading and/or supporting and/or executing core procurement roles and responsibilities addressing a broad spectrum of services, supplies and works of various degrees of complexity procured by the ESM. In addition, procurement planning, developing scope of work (specifications), sourcing, providing support with regards to evaluations, negotiations, contracts, contract and supplier management, conducting market research and studies, development and maintenance of category management strategies, client and stakeholder management, reporting, ERP system use and population, business process design, e-tendering tools and advice on sustainable procurement.

20. **Policy review, development and evaluation** – as an example but not limited to supporting and conducting policy reviews and to supporting development of programme conditionality. Support for evaluation exercises (performance audit, policy evaluation, quantitative and qualitative analysis).

21. **Board Affairs and Shareholder Relations** - as an example but not limited to services in the areas of:

    - **Structure, processes, and governance of the institution governing bodies**. As an example but not limited to rules of procedure and governance policies; terms of reference for Board committees; Board structure and composition; Board documentation; effectiveness of Board meetings; strategic governance advice; and Board performance and compliance.

    - **Maintaining and enhancing the relationship between the institution and its shareholders**. This includes but is not limited to shareholder communication strategies; shareholder mapping and analysis; shareholder engagement strategies and plans; shareholder meetings and events, including protocol and verbatim transcripts.

22. **Internal Policies, Processes, and Internal Controls** - advisory and operational services to ensure robust governance and risk mitigation within an institution. This includes assessing and documenting internal controls for new or revised processes and systems, ensuring both business and IT application controls effectively mitigate identified risks. Services also involve updating and maintaining internal control framework (ICF) documentation to reflect current practices, regulatory requirements, and industry standards. Additionally, conducting reviews and assessments of existing internal controls, providing recommendations for enhancements, and developing training programs to promote awareness and best practices in internal control management are integral components.

23. **Business Continuity Framework Development** - comprehensive advisory and operational services to ensure an institution's resilience during disruptions. This includes developing and reviewing business continuity plans (BCPs) tailored to the institution's operational needs and ensuring they meet current regulatory and industry standards, such as ISO 22301. Services also encompass providing expert advice on best practices in business continuity management, collaborating with various business areas to maintain specific BCPs, and conducting business impact analyses and risk assessments. Additionally, developing and executing testing scenarios to validate BCP effectiveness, providing post-test analysis and recommendations, and assisting in developing crisis management plans and response strategies are essential elements of this framework.

24. **Records management** – including but not limited to the support in the establishment and execution of a records management and archiving framework, which includes the creation, receipt, maintenance, use and disposal phases of records, as well as administrative tasks related to archiving of physical and digital records.

25. **Data governance** – including but not limited to the establishment of processes to ensure effective data management throughout the organisation. Typical focus areas of data governance include leadership and communication, data principles and policies, master data management, metadata management, data quality and data privacy & security.

26. **Data management** – operationally managing, modelling, and presenting the data everyday using advanced techniques and best practices of data science and data analytics.

27. **Information security** – including but not limited to guidance, planning, policies, processes, procedures, best practices, solutions and deployment to support the information security remit to protect the ESM's information and data assets.

28. **Environmental, Social and Governance framework** – including but not limited to

   - **Environmental, Social and Governance (ESG):** drafting and reviewing of relevant policies; reviewing, benchmarking and advising on relevant best practices and programmes, regulations and other ESG initiatives; supporting the preparation of the ESM Carbon Footprint Report and any other reports required in the ESG context; supporting the organisation of ESG-related events, conferences, etc.
   - **Corporate ethical and social responsibility (CSR)** within the institution: advising on the development and implementation of ethics policies and codes of conduct;;

conducting ethics training and awareness programs for employees and stakeholders; advising on the establishment of ethics committees and reporting mechanisms.

29. **Strategy development and performance management** – including but not limited to formulation, articulation and validation of business strategies and alignment of the operating model with regulatory, financial and business objectives; definition and support of the corporate strategy, business units strategy, operating model strategy, planning and budgeting, key performance indicators, balance score cards and total quality management.

30. **Project portfolio, programme and project management** – including but not limited to management of the ESM project portfolio and the different programmes and projects in different methodologies and frameworks (Agile, Scrum, PM^2, PMP, PRINCE2 etc.); project portfolio management, project strategic fit assessment and prioritisation, programme management, project management, project management office, benefit realisation strategies and methods, resource capacity and budget management.

31. **Business analysis** – including but not limited to the elicitation of business needs, identification of viable solutions that address the business needs, and contribution to the design and implementation of systems, processes, reports and controls in different methodologies and frameworks (lean 6 sigma; operating model transformation and business process improvements, quality assurance and test management etc.).

32. **Change management** – including but not limited to the assessment, design, communication and implementation of business changes on both the organisational transitions (tangible changes in structure, process and technology) and individual transitions (processes individuals go through to adjust to the new way of working, including formal training) required to enable and sustain change.

33. **Physical security and Facilities Management (FM) support** – including but not limited to oversee any and all technical solutions, processes, procedures or other work practices intended to prevent unauthorised access, use, disclosure, disruption, modification, inspection, recording or destruction of the ESM's organization (excursions, procedures, etc.), individuals (employees, guests, etc.) and objects/assets (building, cars, etc.) security. Support the FM operations, including but not limited to providing on-site assistance when needed to ensure the execution of the FM services and prevent disruptions, provide security and safety inspections and other inspections as needed, to ensure compliance with applicable laws, standards and best practices, etc. For the avoidance of doubt the above is not a limiting description and any other aspect of physical security and FM services may be considered at the ESM's sole discretion.

34. **Compliance and ethics advisory services** - including but not limited to advice, for example, on the following topics: risk assessments, best practices analysis, reviewing and updating compliance programs, monitoring and reporting, technology solutions, training and education, and communication.

35. **Personal data protection advisory services (excluding legal services)** – including but not limited to advice, for example, on the following topics: risk assessments, best practices

analysis, reviewing and updating privacy programs, monitoring and reporting, incident response planning, data mapping and inventory, technology solutions, training and education, and communication.

CATEGORY 4: Banking and economic services

36. **Macro-economic and financial risk assessment and evaluation of financial assistance programmes** – including but not limited to, economic analysis and forecasting; development of models to analyse macroeconomic, financial sector, climate-related and market developments, especially in euro area countries considering also their potential interactions. Producing analytical reports, model documentation and informing on relevant research analysis that help the organisation fulfil its functions; identifying key determinants of ongoing economic and market trends; developing frameworks that give early warning signs of threats to macroeconomic and financial stability within specific countries and at the Euro area in aggregate. Help position research by ESM staff within the academic literature. Help structure programme design and conditionality, in line with the ESM mandate.

37. **Macro/micro-economic and financial sector data analysis and system** – including but not limited to, preparing data for econometric and financial models, developing interfaces to databases, data cleaning and data quality assessment; database design and scripting; development of spreadsheet tools; model automation including maintenance; analytical reports.

38. **Common Single Resolution Fund backstop, Direct Recapitalisation Instrument and repayment capacity assessment** – including but not limited to, methodological development to analyse linkages between macro-financial variables and micro banks' metrics; developing scenario and sensitivity analyses, forecast banks' balance sheets and P&L, assess contagion effects in crisis scenarios, test the resilience of the banking sector and the recoupment capacity of resolution funds and the common backstop, developing monitoring and a reporting frameworks. In addition, conduct tests and dry-runs, also with the involvement of external parties.

39. **Bank restructuring, non-performing loans disposal, asset management companies and distressed asset management** – including but not limited to design country specific or pan-European schemes for managing distressed assets , provide advice on distressed assets management, assess legal and operational impediments as well as economic and financial benefits under various policy scenarios.

40. **Banking sector's future developments like Fintech, BigTech, business model evolution** – including but not limited to, assess profitability and competitive challenges and perform impact analysis of long-term trends, digital and green transformation on banking and the financial sector at large.