

Annex 4 Award Criteria

Candidates need to respond on the templates provided if applicable, as indicated in the table below.

The Candidates' technical response should then be sent to the ESM as a separate PDF attachment along with the other documents requested (see Section 5 in the RFP 'Structure of the Proposal').

In responding to the Award Criteria, Candidates should explain clearly how they can fulfil ESM's requirements and whether they can even add some value.

Please refer to section 3.2 Eligibility, Exclusion, Selection and Award Criteria of the RFP for further information.

In its procurement activities, ESM strives to achieve the best balance of technical quality and affordability by using a price-quality ratio evaluation method. When tendering to replace an existing tool, it is crucial for ESM to find the right balance between the procurement principles of equal treatment, transparency, proportionality and non-discrimination and value for money. As explained in Annex 1 Terms of Reference, ESM is currently using a Portfolio Performance Attribution Tool. This situation brings complexity to the technical and commercial award criteria assessment, particularly around the implementation and in general the total cost of ownership.

We detail below, and in the RFP, how ESM will assess the technical and commercial award criteria to respond to this situation.

A technical evaluation will be done first, followed by a commercial evaluation. To calculate the total score (best price/quality score) ESM will do this in two phases, if applicable, and as further explained throughout the document. First looking only at the ongoing services, and/or looking at the total cost of ownership (ongoing cost and implementation & parallel run cost).

- **Technical Award Criteria**

QUALITY	70%						
1. STAGE 1: Mandatory requirements	40%						
<p>The evaluation of Stage 1 will be based on the combination of the written proposal and the presentation done by Candidates (see section 3.5 of the RFP for further information about the Presentation).</p> <p>The Mandatory requirements weight is 40%, broken down as follows and further detailed in Annex 5:</p> <table border="1"> <tr> <td>FUNCTIONAL</td> <td>22%</td> </tr> <tr> <td>TECHNICAL</td> <td>8%</td> </tr> <tr> <td>SERVICES</td> <td>2%</td> </tr> </table>		FUNCTIONAL	22%	TECHNICAL	8%	SERVICES	2%
FUNCTIONAL	22%						
TECHNICAL	8%						
SERVICES	2%						

IMPLEMENTATION & PARALLEL RUN

8%

Please complete the response template provided in Annex 5 which gathers the mandatory requirements listed in Annex 1. For each requirement, please advise if your solution already meets the requirement (readily available), or if you need to configure or customise the solution during implementation to meet the requirement. In both cases explain how your solution is/will meet this requirement and how long it will take to set up the solution to meet the requirement.

In case you expect ESM to play a role in meeting any requirement, please detail the ESM's involvement required in terms of tools, skills and time.

In their **presentations**, Candidates should generically show, as much as possible, how the mandatory requirements are achieved (on a Fixed Income portfolio):

- Present screens/templates where portfolio positions, market values, P&L, absolute and relative performance, and other market data can be consulted and extracted;
- Potential customisation of those screens/templates by the user, including the selection of different time periods, groupings, price sources;
- Selection and customisation of Fixed Income performance attribution models and related settings;
- Show how different input data/files can be loaded into the system (daily/regular and ad-hoc uploads);
- Show how the user can create new portfolios and index-based benchmarks on the fly;
- Show how the user can customise Tracking error calculation
- Show how the user can set up custom scenarios for stress testing
- Ad-hoc request about some mandatory requirements based on the Candidate's proposal.

Presentations will last one (1) hour in total, with forty (40) minutes dedicated to the bullet points listed above and twenty (20) minutes reserved for Q&A.

All requirements must be met in the timeframe indicated in the Implementation section of Annex 1.

Implementation criteria (8%):

In case the current provider participates in this RFP, ESM acknowledges that no implementation & parallel run apply to them. Therefore, the current provider does not need to respond to the requirements listed under the category 'IMPLEMENTATION & PARALLEL RUN' in Annex 5.

It would not be fair competition if ESM compared Candidates with implementation & parallel run proposals with a Candidate having no proposal.

For this reason, ESM will calculate the average score of all implementation & parallel run proposals received by Candidates and allocate this average score as the implementation & parallel run score of the current provider.

Minimum quality threshold for Stage 1:

<p>In this Stage 1 of the RfP, Candidates must achieve a minimum score of 20% out of the 40% allocated to the quality award criteria number 1 in the above table to be considered further.</p> <p>For the current provider, should it apply to this RFP, the minimum score needed to be considered further is 16% out of 32% as the weight of the implementation & parallel run criteria (8%) will not be counted since it is a score assigned by ESM for the purpose of the evaluation.</p>	
<p>Provided Candidates achieve the minimum score for the quality award criteria in Stage 1 of the RfP, ESM will assess their response to the other criteria under Stage 2 of the RfP.</p>	
<p>2. STAGE 2: Testing of the tool</p>	<p>20%</p>
<p>Please respond to the Case Study provided in Annex 7.</p> <p>You are required to provide access to the proposed solution to 7 ESM staff members from the <i>Deadline for submission of Proposals</i> until the <i>Assessment of Stage 2, testing of the tool by ESM</i> end date in section 3.1 of the RFP.</p> <p>The Candidates are required to setup in the Tool one portfolio: “PTF_TEST_RFP” and one benchmark: “BMK_TEST_RFP”, with the holdings described in Annex 7, on sheets “PTF” and “BMK”, respectively. The portfolio and benchmark should be populated with the provided data, for the testing period specified in the file: 31/01/2025 – 07/02/2025. Both portfolio and benchmark should not have any holdings prior to these dates.</p> <p>In Annex 7, the Terms and Conditions of non-exchange traded instruments are described, and these should be setup in the Tool, so that the market value and performance of these instruments can be assessed for the period under analysis.</p> <p>The portfolio and benchmark compositions also include two cash elements: 1) Cash Balance and 2) Committed Cash. Cash Balance is the available cash which should have a dynamic return, as specified in Annex 7; Committed Cash reflects cash that will impact the Cash Balance in the following days, to reflect the settlement delay of the transactions. For a given transaction with settlement delay different from t+0, on trade date, the Cash Balance is not impacted, and instead, the settlement amount is reflected in the committed cash (to compensate for the market value of the new position in the portfolio, which should always be reflected from trade date, regardless of the settlement delay).</p> <p>Once the data is available in the Tool, ESM will:</p> <ul style="list-style-type: none"> • Analyse in the tool the sample portfolio provided by the ESM (Annex 7), covering all instrument typologies in scope, including: market values’ calculation, performance and attribution figures for the pre-defined time period, extraction of portfolio characteristics and attribution reports; • Compare financial results provided by the tool with those coming from ESM’s internal financial database; • Be able to create new portfolios and benchmarks on the fly, following instructions from the Candidate; • Be able to upload different sample input files, based on the templates provided by the Candidate; 	

<ul style="list-style-type: none"> • Assess customisation possibilities by adjusting different views/templates, based on data available (natively or uploaded) in the system; • Assess tracking error calculation, stress testing/scenario analysis, and portfolio optimisation capabilities; • Assess the user friendliness of the tool. <p>To achieve this, the Candidates must submit the following information:</p> <ul style="list-style-type: none"> • Instructions on how to create new portfolios on the fly; • Input files' templates for all typologies in scope, as described in the mandatory requirements, which can be readily used, to allow the testing of the manual upload process; • Instructions on how to manually upload different input files in the tool; • Instructions on how to analyse and extract reports including the portfolio and benchmark positions, market value, P&L and performance (absolute and relative); • Instructions on how to extract a performance attribution report and how to select the attribution model and adjust its settings; • Instructions on how to assess tracking error calculation, perform stress testing/scenario analysis and portfolio optimisation. <p>If during the testing ESM needs to clarify anything, we will contact candidates in writing with our clarification questions. We expect Candidates to respond quickly so we can proceed with the testing and the assessment.</p> <p>Please note that the test case study is used only for the purpose of the evaluation and does not represent the actual size of the ESM paid in capital, which represents the assets in scope for the use of the tool. More details on the ESM paid in capital can be found in the ESM annual report: https://www.esm.europa.eu/system/files/document/2024-06/esm-annual-report-2023-zxcv.pdf</p>	
<p>3. STAGE 2: Optional requirements</p>	<p>10%</p>
<p>Please complete the response template provided in Annex 6 which gathers the optional requirements listed in Annex 1. For each requirement, please advise if your solution already meets the requirement (readily available), or if you need to configure or customise the solution to meet the requirement, or if the optional requirement cannot be met. In all cases explain how your solution is/will meet this requirement and how long it will take to set up the solution to meet the requirement, if possible at all.</p> <p>In case you expect ESM to play a role in meeting any requirement, please detail the ESM involvement required in terms or tools, skills and time.</p>	
<p>PRICE</p>	<p>30%</p>
<p>Total</p>	<p>100%</p>

- **Commercial Award Criteria**

The Candidates' commercial response must be completed on the template provided as Annex 8 Commercial Response Template and sent via the Procurement tool both as an Excel document and as a PDF with signature from an authorised representative of the company (see Section 5 'Structure of the Proposal').

- 1. Ongoing costs (excluding implementation and parallel run quality and price assessment)**

In line with standard EU public procurement practices, ESM will assess in the first place the ongoing costs applicable to all Candidates.

Ongoing costs refer to the costs applicable after the implementation and parallel run are completed and accepted as detailed in Annex 1 and the ongoing costs apply until the end of the contract. Ongoing costs include licence costs as well as maintenance and support costs to use the Tool as described in Annex 1.

Candidates are requested to provide their ongoing costs, following the template provided in Annex 8.

The contract term is for up to 13 years, with a planned start date of 15/10/25 and planned end date of 14/10/38. The Ongoing costs will only start after the end of the implementation and parallel run and apply until the end of the contract term. In the exceptional case that ESM would approve a longer term in the future, Candidates are requested to provide Ongoing cost until 08/07/40. Should the exceptional extension be approved, the cost provided in the tender will be applicable.

The total Ongoing costs (over the contract term) provided by Candidates will be used in the financial assessment formula and a financial score will be calculated.

This financial score will be added to the technical score, which will exclude for all Candidates the qualitative assessment for the implementation and parallel run, and Candidates will be ranked based on their total score.

Should the current provider rank first at this point, the evaluation will be finished. The current provider has no implementation cost, only ongoing costs. Therefore, the current provider ranking first based on the ongoing services only, reflects accurately the total cost of ownership of the services.

Should the current provider win this RFP, since no implementation and parallel run cost will apply, the new contract will start upon the current contract's expiry, and the only fees applicable to the new contract will be the ongoing cost (pro rated as of the effective date of the new contract).

In case the total cost of ownership is not reflected at this stage because the current provider does not rank first, ESM will resume the financial assessment and factor implementation costs to account for the total cost of ownership.

Also, in case the current provider does not participate in the RFP, the price assessment will directly start at the stage described below.

2. Implementation costs

The implementation represents a key part of the contract in case of a change of provider and ESM needs to understand and factor its cost in its assessment to account for the total cost of ownership.

The implementation and parallel run are detailed in Annex 1 and the price items for these are broken down in Annex 8.

The implementation cost is composed of fixed fees (implementation and training) and variable fees (licence fees for the number of months of the implementation).

The parallel run cost is composed of variable fees (licence fees for the number of months of the parallel run).

For the financial assessment of this RFP, ESM will count 12 months of licence fees for the implementation, and 6 months of licence fees for the parallel run (these are the maximum durations as per Annex 1). However, it must be noted that should the actual delivery of the implementation and/or the parallel run take less time than these maximum durations, the Service Provider will only charge the variable fees for the actual duration that they apply. Similarly, should the implementation take longer than the maximum duration, and ESM agrees to continue the implementation (see section 6 of Annex 1), a reduced licence fee of 50% will apply from the 13th month until the completion and acceptance of the implementation.

As explained above, the current provider does not have implementation and parallel run cost. It would therefore not be fair competition if ESM compared Candidates with implementation and parallel run costs with a Candidate having no implementation and parallel run cost.

For this reason, ESM will calculate the average value of all implementation and parallel run costs received by Candidates and allocate this average value as the implementation and parallel run cost of the current provider.

The implementation and parallel run cost will be added to the ongoing cost referred to above and a new financial score will be calculated. This financial score will be added to the technical score (including the scores for the Implementation & parallel run weighted 8%) according to the formula explained in the RFP document, and the final ranking will be determined. At this point the evaluation will be finalised.

In the case that only two proposals are left at this stage (the current provider and another candidate), the current provider would be allocated the same implementation and parallel run cost as the other candidate. In other words, the ranking obtained in the previous stage looking only at the ongoing services would remain.

Should the current provider not participate in the tender, the financial assessment will be based on the combination of the implementation and parallel run cost and the ongoing cost.

3. Optional requirements

Candidates are also required to include the cost to implement the optional requirements they can implement as explained in Annex 6, however this cost will not be factored in the financial assessment.