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Bid Pack

Attachment 3 – Statement of Requirements

Contract Reference: CCLL20A29

Procurement for the launch of a UK Green Gilt – Appointment
of Structuring Advisor(s)

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Bid pack for CCLL20A29 for the procurement for the launch of a UK Green Gilt – Appointment of
Structuring Advisor(s)

Page 1 of 11

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CONTENTS

1.	PURPOSE.....	3
2.	BACKGROUND TO THE CONTRACTING AUTHORITY.....	3
3.	BACKGROUND TO REQUIREMENT/OVERVIEW OF REQUIREMENT	5
4.	DEFINITIONS.....	6
5.	SCOPE OF REQUIREMENT	6
6.	THE REQUIREMENT	7
7.	KEY MILESTONES AND DELIVERABLES	8
8.	MANAGEMENT INFORMATION/REPORTING	8
9.	VOLUMES.....	8
10.	CONTINUOUS IMPROVEMENT	8
11.	SUSTAINABILITY	8
12.	QUALITY.....	8
13.	PRICE	9
14.	STAFF AND CUSTOMER SERVICE.....	9
15.	SERVICE LEVELS AND PERFORMANCE	9
16.	SECURITY AND CONFIDENTIALITY REQUIREMENTS	9
17.	PAYMENT AND INVOICING	10
18.	CONTRACT MANAGEMENT	10
19.	LOCATION.....	11

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Bid pack for CCLL20A29 for the procurement for the launch of a UK Green Gilt – Appointment of Structuring Advisor(s)

Page 2 of 11

v 4.3 03.12.2020

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1. PURPOSE

- 1.1 The purpose of this procurement is to appoint one or more Structuring Advisor(s) that will undertake the work on the preparation phase for the UK government's inaugural issuance of a Green Gilt.
- 1.2 Following the preparatory phase, the project will proceed to the execution phase.

2. BACKGROUND TO THE CONTRACTING AUTHORITY

- 2.1 HM Treasury (HMT) is a ministerial department, supported by 14 agencies and public bodies.
- 2.2 HMT is the government's economic and finance ministry, maintaining control over public spending, setting the direction of the UK's economic policy and working to achieve strong and sustainable economic growth.
- 2.3 HMT is responsible for:
 - 2.3.1 Public spending: including departmental spending, public sector pay and pensions, annually managed expenditure (AME) and welfare policy, and capital investment.
 - 2.3.2 Financial services policy: including banking and financial services regulation, financial stability, and ensuring competitiveness in the City.
 - 2.3.3 Strategic oversight of the UK tax system: including direct, indirect, business, property, personal and corporation tax.
 - 2.3.4 The delivery of infrastructure projects across the public sector and facilitating private sector investment into UK infrastructure.
 - 2.3.5 Ensuring the economy is growing sustainably.
- 2.4 HMT's priorities are:
 - 2.4.1 Achieving strong and sustainable growth.
 - 2.4.2 Reducing the deficit and rebalancing the economy.
 - 2.4.3 Spending taxpayers' money responsibly.
 - 2.4.4 Creating a simpler, fairer tax system.
 - 2.4.5 Creating stronger and safer banks.
 - 2.4.6 Making corporate taxes more competitive.
 - 2.4.7 Making it easier for people to access and use financial services.

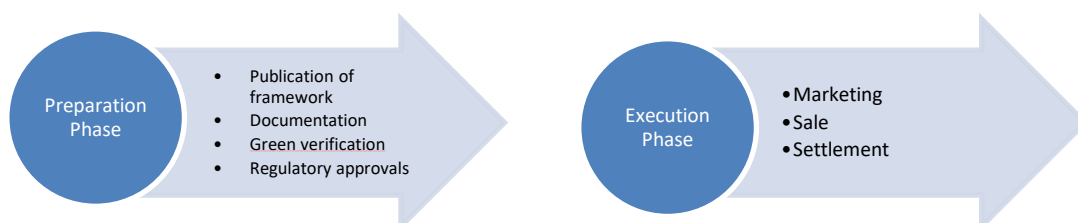
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- 2.4.8 Improving regulation of the financial sector to protect customers and the economy.
- 2.5 HMT's strategic objectives are to:
 - 2.5.1 Place the public finances on a sustainable footing, ensuring value for money and improved outcomes in public services.
 - 2.5.2 Ensure the stability of the macro-economic environment and financial system, enabling strong, sustainable and balanced growth as we leave the EU.
 - 2.5.3 Increase employment and productivity, ensuring strong growth and competitiveness across all regions of the UK, through a comprehensive package of structural reforms, taking advantage of the opportunities provided by leaving the EU.
- 2.6 Build a great Treasury, by creating a more open, inclusive and diverse department, underpinned by professionalism, skills and management excellence.
- 2.7 The United Kingdom Debt Management Office (DMO) is responsible for:
 - 2.7.1 Carrying out the Government's debt management policy of minimising its financing cost over the long-term taking account of risk;
 - 2.7.2 Minimising the cost of offsetting the Government's net cash flows over time, (while operating within a risk appetite approved by Ministers);
 - 2.7.3 Providing loans to local authorities for capital purposes; and
 - 2.7.4 Managing the funds of selected public sector bodies.
- 2.8 The DMO is given annual remits by HM Treasury for its debt management and cash management. The remits are published in the Debt Management Report just prior to the start of the financial year. The DMO conducts its operations for the forthcoming financial year within the scope of these remits and in order to meet its specified objectives and targets. These operations are based at a single site and are performed by teams that reflect the DMO's functional activities.
- 2.9 The DMO's main debt management activity is the issuance of gilts on behalf of the National Loans Fund. The DMO additionally issues Treasury bills for both debt and cash management purposes. The financing remit set by HM Treasury ministers specifies the planned annual total of gilt sales in cash terms, the split between conventional and index-linked gilt sales and, within conventional gilts, the split by maturity band.

- 2.10 The DMO decides the size of gilt auctions and the choice of gilts to be auctioned, together with the size and choice of gilts to be issued via syndications and any gilt tenders in accordance with the terms set out in the remit for the financial year. The DMO also decides the size and maturity breakdown of Treasury bill issuance.

3. BACKGROUND TO REQUIREMENT/OVERVIEW OF REQUIREMENT

- 3.1 On Monday 9 November 2020 the Chancellor of the Exchequer [announced](#) the UK government's intention to issue its inaugural Green Gilt in 2021 (subject to market conditions), with an intention to follow this up with a series of new issuances to build out a "green curve" in the coming years.
- 3.2 A Green Gilt will help finance projects that will be critical in ensuring the government can meet its ambitious climate goals, including its commitment to reach Net Zero greenhouse gas emissions by 2050.
- 3.3 The Authority envisages the project being comprised of two distinct phases:
- 3.3.1 a preparatory phase, to include (but not necessarily limited to)
- 3.3.1.1 transaction structuring, documentation (including drafting and publishing the framework and establishing documents for on-going reporting processes on the allocation of proceeds and projects' environmental impacts),
- 3.3.1.2 regulatory compliance and obtaining verification from a second party opinion (SPO) provider ("Phase One"),
- 3.3.2 and an execution phase ("Phase Two").



- 3.4 In taking this work forward the Authority is looking to recruit external advisers, including a legal adviser and structuring advisor(s) to advise on transaction structuring.

4. DEFINITIONS

Expression or Acronym	Definition
ESG	Means: Environmental, Social and Governance
HMT	Means: Her Majesty's Treasury (which, together with the DMO, as defined below, constitutes the Authority)
Green/Sovereign Green Bond/Green Gilt	<p>Consistent with the International Capital Market Association (ICMA) Green Bond Principles, Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to eligible environmental projects. These "Principles" have become the most recognised standards globally for the issuance of green bonds.</p> <p>The ICMA criteria for classifying a bond as 'green' are based on four elements:</p> <ul style="list-style-type: none">• The use of the bond issue proceeds within a green framework;• The process around the evaluation and selection of the projects;• The management of proceeds; and <p>The reporting and monitoring of the projects that have been funded on a forward-looking basis.</p>
SPO	Means: Second Party Opinion
DMO	Means: United Kingdom Debt Management Office

5. SCOPE OF REQUIREMENT

- 5.1 The Authority is looking to appoint one or more structuring advisors ("Supplier(s)") with in-depth expertise in structuring environmental, social and governance (ESG) labelled bond transactions to lead the work on Phase One.
- 5.2 Potential providers should note that the Authority has not yet decided whether it will appoint the services of one or multiple organisations to perform this role.
- 5.3 References to singular or plural Supplier(s) should thus be taken to include the possibility of the Authority choosing to appoint the services of one or more than one organisation.
- 5.4 The Contract is for twelve months with an option to extend for a period of up to six (6) months.

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6. THE REQUIREMENT

- 6.1 The Authority is looking for supplier(s) to provide the following services in respect of phase one:
- 6.1.1 Working with the Authority, and its chosen legal advisers, to develop:
 - 6.1.1.1 All aspects of the structure (including any legal, listing, taxation, marketing, distribution, clearing, settlement and regulatory issues); and
 - 6.1.1.2 A framework for the offering (including the drafting and publishing thereof) and to review capital markets and any other documentation (including the offering disclosure document).
 - 6.1.2 Assisting in the appointment of a Second Party Opinion (SPO) provider and securing necessary SPO provider verification; and
 - 6.1.3 Advising on the key market aspects required to ensure a successful launch of the issue and taking the lead on designing and, where appropriate, implementing solutions.
- 6.2 It is anticipated that the Authority's legal counsel will lead the drafting of relevant capital markets and other issuer documentation required by the Authority for this transaction. It is expected that the Supplier(s) will work closely with the Authority's legal counsel in the drafting of such documentation.
- 6.3 The Authority is looking for Supplier(s) that have:
- 6.3.1 A broad distribution network and client base, spanning institutions that comprise the existing investor base for UK government securities, as well as existing and potentially new sources of demand for UK Green Gilts, both in domestic and overseas markets;
 - 6.3.2 Extensive experience of issuing international ESG labelled bonds on behalf of sovereign issuers in different regions of the globe;
 - 6.3.3 Significant market share in both international and local currency ESG markets across different geographical regions according to industry league tables; and
 - 6.3.4 Evidence of having worked to further the development of ESG financial markets in different jurisdictions.
- 6.4 A developed understanding of the parts of the UK legal, regulatory and taxation frameworks, as relevant, needed to bring a UK Green Gilt issue to market.
- 6.5 Please see the link to the Government website for more details:

6.5.1 <https://www.gov.uk/government/news/chancellor-sets-out-ambition-for-future-of-uk-financial-services>

7. KEY MILESTONES AND DELIVERABLES

7.1 The following Contract milestones/deliverables shall apply:

Milestone/Deliverable	Description	Timeframe or Delivery Date
1	Signed Contract	Return within one day of issue
2	To conclude the Structuring Advisor(s)' Preparatory Phase functions.	Within six to nine months of contract award, unless agreed otherwise by the Authority.

8. MANAGEMENT INFORMATION/REPORTING

8.1 The Supplier will provide the Authority's Contract Manager with a weekly update of progress against milestones.

8.2 Contact can be via email and/or telephone.

8.3 At its discretion, the Authority can request virtual or face-to-face meetings (subject to adherence to the Government Covid-19 social distancing guidance, should this be necessary).

9. VOLUMES

9.1 As per section 6 – The Requirement.

10. CONTINUOUS IMPROVEMENT

10.1 The Supplier will be expected continually to improve the way in which the required Services are to be delivered throughout the Contract duration.

10.2 The Supplier should present new ways of working to the Authority during Contract review meetings.

10.3 Changes to the way in which the Services are to be delivered must be brought to the Authority's attention and agreed prior to any changes being implemented.

11. SUSTAINABILITY

11.1 None applicable.

12. QUALITY

12.1 None applicable

13. PRICE

- 13.1 Prices are to be submitted via the e-Sourcing Suite Attachment 4 – Price Schedule excluding VAT and including all other expenses relating to Contract delivery.

14. STAFF AND CUSTOMER SERVICE

- 14.1 The Supplier shall provide a sufficient level of resource throughout the duration of the Contract in order consistently to deliver a quality service.
- 14.2 The Supplier's staff assigned to the Contract shall have the relevant qualifications and experience to deliver the Contract to the required standard.
- 14.3 The Supplier shall ensure that staff understand the Authority's vision and objectives and will provide excellent customer service to the Authority throughout the duration of the Contract.

15. SERVICE LEVELS AND PERFORMANCE

- 15.1 The Authority will measure the quality of the Supplier's delivery by:

15.1.1

KPI/SLA	Service Area	KPI/SLA description	Target
1	Delivery timescales	Meeting deadlines set out by the Project Team	100%
2	Attendance of meetings	Attendance of <i>ad hoc</i> meetings and weekly meetings/calls.	100%
3	Quality of services	Services provided to meet quality standard set out by the project team in terms of content and presentation.	100%

- 15.2 In the event of poor performance through the failure to deliver to time or failure to reach an acceptable level of quality, the Authority shall meet with the Supplier to understand the root causes of the issue.

15.2.1 The Supplier shall formulate a performance improvement plan to rectify these issues and ensure that the requirements in this statement of requirements are met.

- 15.3 The Authority may, without prejudice to any other rights and remedies under this contract, withhold or reduce payments in the event of unsatisfactory performance.

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Bid pack for CCLL20A29 for the procurement for the launch of a UK Green Gilt – Appointment of Structuring Advisor(s)

Page 9 of 11

v 4.3 03.12.2020

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15.4 If poor performance continues, following formal written warnings, early termination of the contract will also be considered.

15.4.1 The Authority will monitor the work of the Supplier throughout the duration of the contract through regular contact between the Supplier and the Authority's relevant officials.

15.4.2 The Authority will manage poor performance by the Supplier as set out in this section 15 and in line with the terms and conditions of the resultant contract

16. SECURITY AND CONFIDENTIALITY REQUIREMENTS

16.1 Suppliers who wish to bid for this procurement are required to sign a non-disclosure agreement, as provided in attachment 6, and submit it as part of their bid response.

17. PAYMENT AND INVOICING

17.1 Payment can only be made following satisfactory delivery of pre-agreed certified products and deliverables.

17.2 Before payment can be considered, each invoice must include a detailed elemental breakdown of work completed and the associated costs.

17.3 Invoices should be submitted to: InvoiceQueries@hmtreasury.gov.uk

17.3.1 Address:

HM Treasury, Accounts Payable, Rosebery Court, St. Andrews Business Park, Norwich, NR7 0HS.

18. CONTRACT MANAGEMENT

18.1 The supplier(s) shall ensure sufficient resource is made available to meet the deliverables of the contract.

18.2 The Supplier(s) shall implement, but are not limited to, the following contract management approaches:

18.2.1 Provision of a dedicated account manager and named deputy who can act in their absence;

18.2.2 Provision of an escalation process, to include named contacts and turnaround times, specific to the deliverables of this contract;

18.2.3 Provision of a risk management and mitigation approach specific to the deliverables of this contract; and

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Bid pack for CCLL20A29 for the procurement for the launch of a UK Green Gilt – Appointment of Structuring Advisor(s)

Page 10 of 11

v 4.3 03.12.2020

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- 18.2.4 Provision of business continuity plans specific to the deliverables of this contract.
- 18.3 The account manager shall attend contract review meetings, timings of which will be agreed amongst the parties.
- 18.4 The account manager shall provide relevant management reports to support activity and progress against the deliverables of the contract as agreed between the parties.
- 18.5 Attendance at contract review meetings shall be at the Supplier's own expense.
- 18.6 HMT and the DMO are looking for structuring advisors with suitably qualified and experienced staff.
- 18.6.1 Requests for virtual or face to face meetings (subject to adherence to the Government Covid-19 social distancing guidance) will be made by HMT and the DMO as required.
- 18.6.2 The existing platform used is Microsoft 'Teams' however there is the option to use other platforms for virtual meetings.

19. LOCATION

- 19.1 The location of the Services will be carried out at the premises of HMT, DMO or the Supplier.