



Pre-Qualification Document

PQ Ref. No.: CGIP/01/EAS/AG/22

External Audit Services
**Audit of the financial statements of the European Stability
Mechanism for the financial years 2023 - 2025**

13/05/2022

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Introduction

The European Stability Mechanism (the “ESM”) is a permanent crisis resolution mechanism established by the euro area Member States as an intergovernmental organisation under public international law. Its purpose is to ensure the financial stability of the euro area as a whole, and of its Member States experiencing severe financing problems, by providing financial assistance through a number of instruments.

More background information about the ESM may be found on the website:

<https://www.esm.europa.eu/>

Neither Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 nor Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 (as amended) apply to the ESM. The ESM procures supplies, services and works on its own behalf and for its own account pursuant to the ESM Procurement Policy as published on the ESM website. Please refer to the ESM website for more information.

This Pre-Qualification Document (the “PQD”) sets out the eligibility, exclusion and selection criteria, as part of a pre-qualification stage (“Stage 1”) of the two-stage procurement procedures of the ESM (i.e. Restricted Procedures and Negotiated Procedures), in order to assess the suitability of a Candidate to participate further in this procurement procedure. Candidates, which are successful at Stage 1 (pre-qualified Candidates) and, if applicable, chosen by the ESM among the eligible and suitable Candidates, will be invited to participate in the subsequent Request for Proposal stage of the procurement procedure (“Stage 2”).

For the purposes of this PQD, economic operators who wish to apply to this procurement procedure are referred to as “Candidate” or “Candidates” and their response is referred to as an “Application” or “Applications”.

Unless otherwise defined in this PQD, all capitalised terms used in this PQD have the meanings ascribed to them in the ESM Procurement Policy.

1. Contents of this PQD

The PQD consists of the following documents:

No.	Document Title	Comment
1.	Prequalification Document – Core Document	This document
2.	Annex 1 – Terms of Reference	Included as Annex 1 to this PQD
3.	Annex 2 – Eligibility, Exclusion & Selection Criteria including declarations, forms, questions and other response elements to be addressed	Included as Annex 2 to this PQD

2. Overview of the Procurement Requirement

The ESM is seeking to retain the services of an audit firm in accordance with the provisions of the ESM Treaty (Article 29)¹ and the ESM By-Laws (Articles 21 (3), 22, 23 and 24)². Both documents are available on the ESM website at www.esm.europa.eu.

The required audit services will include the submission of an audit report in respect of the ESM financial statements, the performance of a consistency review of the ESM annual report with the ESM financial statements, and the provision of a management letter to the attention of the ESM Managing Director, the Board of Directors and the Board of Auditors.

The scope of this procurement requirement includes the audit of the financial statements of the ESM for the financial years 2023 to 2025. The contract (called “**contract**” or “**Engagement**”) will be awarded for an initial 3-year term with a possibility of one extension of 3 years at the ESM’s sole discretion.

Further information can be found in Annex 1 to this PQD.

2.1. *Type of Procurement Procedure*

This procurement procedure is carried out by the ESM under a Negotiated Procedure in accordance with Article 9.1 (1) and (2) of the ESM Procurement Policy and is referred to in this PQD as a procurement procedure or a procurement process.

2.2. *Procurement Process Steps and Timelines*

The ESM plans to carry out the procurement process in accordance with the steps defined in the table below. The ESM reserves, at its sole discretion, the right to vary the steps and timelines.

No.	Procurement Process Steps	Timeline
1.	Contract notice and PQD publication date	13/05/2022
2.	Deadline for submission of clarification questions on the contract notice and the PQD	26/05/2022 11:00 hrs (local Luxembourg time)
3.	Response to the clarification questions on the contract notice and the PQD	Regularly
4.	Deadline for submission of Applications (the “Applications Deadline”)	06/06/2022 11:00 hrs (local Luxembourg time)
5.	Target date of notification of the ESM’s decision on pre-qualification to unsuccessful Candidates and dispatch of the RFP to the pre-qualified Candidates	27/06/2022

¹ <https://www.esm.europa.eu/legal-documents/esm-treaty>

² https://www.esm.europa.eu/sites/default/files/esm_by-laws.pdf

2.3. *The ESM “Sole Contact” Details*

Commercial Legal and Procurement
 European Stability Mechanism
 6a, Circuit de la Foire Internationale
 L-1347 Luxembourg
 Email: procurement@esm.europa.eu
 Attention: Asta Gerhardt

Unless notified otherwise, the person indicated above shall be the Candidates’ single point of communication with the ESM for the duration of this procurement process.

The ESM shall not be bound by and the Candidates agree not to rely upon any written or verbal statements or representations of any other persons, whether employed by the ESM or not.

2.4. *Clarification Matters*

During the procurement procedure, Candidates are entitled to submit in writing questions to the ESM within the deadline above indicated. The ESM may provide additional information solely for the purpose of clarifying the procurement documents and taking into account the following aspects:

- a) Queries must be raised to the Sole Contact as identified in this PQD.
- b) Queries can be raised on any matter in the contract notice or this PQD, including the Annexes. However, the ESM reserves the right not to answer any particular query.
- c) The ESM will endeavour to respond to all queries and issue responses in a timely and professional manner. The ESM reserves the right not to answer any queries received after the deadline for submission of clarification questions stated above.
- d) Subject to point e) below, responses to the queries will be uploaded on the ESM website if they are of relevance to all Candidates.
- e) If the ESM receives a query from a Candidate which, in the sole discretion of the ESM, constitutes a query relevant to that Candidate only, the ESM will provide a response to that Candidate only.
- f) The clarification questions aim to clarify the procurement documents. The ESM will not provide a qualitative judgment during the clarification period.

2.5. *Application Structure and Response Instructions*

When preparing Applications, Candidates should observe the following:

- All documents must be submitted in English.
- Note limitations on any page/word limits specified. Any response exceeding the specified limits may be disregarded beyond that limit.
- Answers should be as concise as possible, complete and comprehensive.
- The ESM does not wish to receive any marketing or other promotional materials.
- Responses to the eligibility, exclusion and/or selection criteria will be evaluated independently and cross-references between response elements are not permitted.
- The Candidate should clearly identify in the Application any requirements specified in this PQD that the Candidate cannot satisfy.

Application Structure			
#	Section	Template and instructions	Document format
1.	Cover Certification Form	Candidates are requested to provide a cover certification form dated and duly signed by an authorised representative on the Candidate's company letterhead (no. 3.1 of Annex 3)	Fully scanned copy with signature in PDF
2.	Declarations	Candidates are requested to submit completed, dated and duly signed declarations (nos. 1.1 and 1.2 of Annex 2)	Fully scanned copy with signature in PDF
3.	General Response	Candidates are requested to respond to the questions posed in this PQD as instructed (see Annex 2 Section 2. Selection Criteria)	PDF
4.	Attachments	Candidates are requested to include any attachments, as requested in Annex 2 section 2	PDF

Forms to fill in	Candidate (including Consortium Lead)	Consortium members	Key Subcontractors
Declaration on Eligibility Annex 2 1.1	To be completed	To be completed	N/A
Declaration of Non-Collusion Annex 2 1.2	To be completed	To be completed	N/A
Cover Certification form Annex 3 3.1	To be completed	N/A	N/A
Consortium declaration Annex 3 3.2	To be completed	To be completed	N/A
Subcontractor commitment letter Annex 3 3.3	N/A	N/A	To be completed

2.6. *Coordinates and Guidelines for Submission of Applications*

Applications shall be submitted no later than the Applications Deadline specified at point #4 of the Procurement Process Steps and Timeline table and must be submitted only **via e-mail** to the Sole Contact listed in section 3.3:

Only Applications received through these means will be accepted.

All digital copies of Applications shall be submitted in compliance with the following guidelines:

- a) One file per section as described above in the "Application Structure" table.
- b) Any supporting or additional files must be clearly named.
- c) All files should be named clearly with a sequential number and a relevant file name, e.g.
 - o "Annex 2: 1.1 – Declaration on the eligibility, exclusion criteria, economic, financial and operational capacity and the absence of conflict of interest"
 - o "Annex 2: 1.2 – Non-Collusion Declaration"
 - o "Annex 3: 3.1 – Cover Certification Form"
- d) All files must be provided in a standard non-editable format, such as PDF.

2.7. Eligibility, Exclusion and Selection Criteria

In order to be eligible to participate in this procurement process, Candidates must be either natural persons or legal persons and state that they are not in one of the exclusion situations listed in the declarations nos. 1.1 and 1.2 included in Annex 2.

If such circumstances arise in the course of the procurement process, the Candidate concerned must inform the ESM thereof without undue delay. Candidates may submit evidence to demonstrate their eligibility despite the existence of grounds for exclusion. The ESM may, in its sole discretion, decide whether such evidence is satisfactory.

Candidates must comply with all eligibility and exclusion criteria to be assessed further.

ELIGIBILITY AND EXCLUSION CRITERIA – elements of the evaluation	
Duly executed declarations as requested in Annex 2 nos. 1.1 and 1.2. * If responding as part of a Consortium, each member of the Consortium must sign these Annexes.	Pass / Fail

In order to assess a Candidate's capacity to perform the FA the ESM will apply the following selection criteria (full information can be found in **Annex 2 Section 2. Selection Criteria**).

In the event that the Candidate submits an Application together with a third party/-ies and/or with sub-contractor(s), the combined capacities of the Candidate and all such third party/-ies and/or subcontractor(s) will be assessed for the purpose of meeting the selection criteria.

SELECTION CRITERIA – elements of the evaluation	
Economic and financial standing	Pass / Fail
Technical or professional ability	Pass / Fail
Authorisation and suitability to carry out the relevant professional activity	Pass / Fail

Candidates must achieve a rating of "Pass" for all the "Pass / Fail" criteria to be considered successful at Stage 1 (pre-qualified Candidates).

3. Terms and Conditions of this PQD

3.1. *Rights of the ESM*

By submitting an Application, the Candidates confirm that they have taken note and accepted all terms and conditions of this PQD.

Applications must be provided by the closing deadline. The ESM reserves the right, at its sole discretion and in exceptional circumstances only, to accept Applications received after the closing deadline.

After the ESM opens the Applications, it may request Candidates to submit, supplement, clarify or complete information or documentation which is or appears missing, incomplete, inconsistent or erroneous within an appropriate time limit. The ESM reserves the right to reject from further consideration any such Applications.

The ESM reserves the right to request that Candidates provide documentary evidence in support of the statements made in their Applications.

Any effort by the Candidate to influence the ESM in the process of examination, evaluation and comparison of Applications, or in the decision regarding the pre-qualification process may result in the rejection of the Application.

The ESM may decide, at its sole discretion while complying with the general principles set forth in the ESM Procurement Policy, to cancel this procurement process in whole or in part at any time before the Framework Agreement is awarded as a result of this procurement process. The cancellation does not give rise to any form of compensation for Candidates.

The ESM will ensure that the information provided by Candidates is treated and stored in accordance with the principles of confidentiality and integrity.

The ESM reserves the right to disclose the contents of Applications to its third party advisors (if applicable) who are bound by the same confidentiality and integrity obligations as the ESM.

If the ESM discovers, before the expiry of the deadline for submissions of Applications, a lack of precision, an omission or any other type of error in this PQD, it will rectify the error and inform all Candidates in writing.

3.2. *Cost of Participating in the Procurement Process*

All costs relating to the participation in this procurement process, including in particular any costs in relation to the preparation of Applications and of any other documents requested by the ESM and any subsequent follow-up shall be borne exclusively by the Candidate.

3.3. *Trade Name, Logo and Marks*

The ESM logo, covers, page headers, custom graphics, icons, and other design elements and words or symbols used to identify the description of the procurement requirement are either trademarks, trade names or service marks of the ESM and its licensors, or are the property of their respective owners. These marks may not be copied, imitated or used, in whole or in part, without the explicit prior written consent of the ESM.

3.4. Confidentiality

If the Candidate considers that any part of its Application or other documents/information submitted to the ESM include Confidential Information within the meaning of this section the Candidate must clearly mark such parts of the Application or other documents/information as 'confidential'.

Candidates are advised that their participation in this procurement process constitutes Confidential Information except for the announcement by the ESM of the successful Candidate on the ESM website in accordance with Article 9.17 (3) of the Procurement Policy.

Except if required in a judicial or administrative proceeding, or if it is otherwise required to be disclosed by any law or regulation, or where information is already in the public domain, the ESM will: (a) not disclose the Confidential Information; (b) take all reasonable measures to preserve the confidentiality and avoid disclosure, dissemination or unauthorised use of Confidential Information; and (c) not use such Confidential Information for any purpose other than as is necessary in connection with this procurement process. Confidential Information does not include information which (a) was known to the ESM prior to receiving the information from the Candidate; (b) becomes rightfully known to the ESM from a third-party source not known to the ESM (after diligent inquiry) to be under an obligation to the Candidate to maintain confidentiality; (c) is or becomes publicly available through no fault of or failure to act by ESM; or (d) has been developed independently by the ESM or authorised to be disclosed by the Candidate. Confidential Information may only be shared with third parties (e.g. contractors) that have a need to know the Confidential Information in relation to this procurement process and provided that such third parties comply with the confidentiality obligations provided in this section.

In addition, if the Candidate has signed an ESM confidentiality undertaking the Candidate agrees to comply with all obligations set forth in such confidentiality undertaking. If there is a conflict between such confidentiality undertaking and this procurement procedure, the confidentiality undertaking will prevail.

3.5. Involvement of/Reliance on Third Parties

If the Candidate intends to involve a third party in the supply of the services offered to the ESM the Candidate has to ensure that any such third party is bound by the requirements set forth in this PQD.

Consortia

In case of a group of economic operators responding together to this procurement procedure ("**Consortium**"), Candidate means the Consortium and the Application must provide the following:

- a. a clear description of the proposed Consortium, its organisational hierarchy and structure, the names of all Consortium members and the roles, activities and responsibilities of the Consortium leader and each Consortium member;
- b. information on whether the Consortium will form a legal entity and if yes, details of the actual or proposed percentage shareholding within such legal entity and other official documents confirming existence of such legal entity. If not, full details of the proposed Consortium arrangement including submission of an executed Consortium agreement.
- c. Signed declarations available in Annex 2 1.1 (Declaration on eligibility) and 1.2 (Non-collusion declaration) and Annex 3 3.2 (Consortium declaration) from all Consortium members.

If the Contract is awarded to a Consortium, all Consortium members will be jointly and severally liable towards the ESM for all obligations arising of or resulting from the Contract.

If a Candidate considers any changes in the Consortium structure it must immediately notify the ESM in writing. The composition of a Consortium (including the roles, activities and responsibilities of the Consortium leader and each Consortium member) cannot be modified or members of the Consortium cannot be exchanged, whether during the course of this procurement process or during the term of the Contract, without the prior written consent of the ESM.

Subcontractors

If subcontractors will play a significant role in delivering the services offered to the ESM (“**Key Subcontractor**”), the Candidate must provide as part of its Application:

- a. a clear description of the proposed subcontracting arrangement, in particular which tasks the Candidate intends to subcontract and their volume or proportion, the name(s) of the proposed Key Subcontractor(s) and its/their roles, activities and responsibilities; and
- b. a document signed by any Key Subcontractor stating its intention to collaborate with the Candidate should the Candidate be awarded a Contract. The template available in Annex 3 3.3 (Subcontractor Commitment Letter) shall be used for this purpose.

Any changes to the proposed Key Subcontractors must be notified immediately to the ESM. Candidates cannot modify the nature of the subcontracting arrangement (including the subcontracted tasks, their volume or proportion) without the prior written consent of the ESM.

The Candidate will remain fully liable towards the ESM for the performance of the services by the subcontractor and will be responsible for the Contract as a whole. The ESM will have no direct legal commitments with the subcontractor(s).

3.6. Transfer of Undertakings

The Candidates acknowledge and accept the possibility that if they are awarded the Contract, the Contract may in some cases trigger the application of the relevant provisions of Luxembourg law or of a collective labour agreement regarding transfers of undertakings, in particular, but not limited to, Articles L.127- 1 to L.127-6 of the Luxembourg Labour Code as amended from time to time (collectively the “**Regulations**”). Consequently, the Candidates acknowledge and accept the possibility that if they are awarded a Contract the staff employed by the existing service provider performing the services to the ESM (the “**Employees**”) may, if necessary, be taken over and/or transferred automatically, by the virtue of the Regulations.

The Candidates are therefore invited, if deemed appropriate and if not already included in the procurement documents, to request the ESM to provide any necessary information regarding the Employees. The ESM reserves the right to answer questions at a later stage of the procurement procedure if deemed appropriate in the ESM’s sole discretion.

Should the Regulations be applicable, the existing service provider and the successful Candidate will fully comply with all of their obligations under the Regulations and will take all necessary steps to facilitate the takeover and/or transfer of the Employees. Any discussions regarding potential takeover and/or transfer of the Employees will be directly between the existing service provider and the successful Candidate. All the costs incurred by the successful Candidate in relation to the application of the Regulations will be borne solely by such Candidate and will not give rise to any financial compensation from the ESM and will not affect in any way the financial proposal submitted by the successful Candidate.

3.7. *Notification of the ESM's decision*

The ESM will notify in writing its decision to advance or not advance the Candidate's Applications. The Candidates whose Applications did not advance can request, in accordance with the ESM Procurement Policy and timelines set within and in the ESM notification, a de-brief addressing the reasons for not advancing their Application. The de-brief will be limited to the reasons related to the unsuccessful Candidate's Application and will not cover any information about other Candidates' Applications.

Annex 1: Terms of Reference

1. Background and Objective

The European Stability Mechanism (the “**ESM**”) is an intergovernmental organisation established by the members of the euro area on 8 October 2012 as an international financial institution, with its current seat and principal office at 6a, Circuit de la Foire Internationale, L-1347 Luxembourg.

The ESM’s mission is to enable the countries of the euro area to avoid and overcome financial crises and to maintain long-term financial stability and prosperity. The ESM carries out this mission by providing loans and other types of financial assistance to member states that are experiencing or are threatened by severe financial distress. In other words, the ESM acts as a “lender of last resort” for euro area countries when they are unable to refinance their government debt in financial markets at sustainable rates.

In this role, the ESM is the successor to the European Financial Stability Facility (EFSF), a temporary institution created in 2010. Both institutions played a crucial role in preserving the integrity of the euro area during the euro debt crisis, by providing a total of €295 billion in loans to five countries (Ireland, Portugal, Greece, Spain, and Cyprus). As part of their ESM/EFSF programmes, these countries implemented reforms to address the weaknesses that led to economic and financial problems.

The ESM raises funds for its financial assistance through the sale of bonds and bills to investors. [Taxpayers’ money is never used for lending to beneficiary countries].

The ESM’s scope of tasks will expand with the expected ratification of the Agreement Amending the ESM Treaty⁵, which was signed by the ESM members in 2021. The ESM will provide a backstop to the Single Resolution Fund and will play a stronger role in crisis prevention and future economic adjustment programmes.

The Treaty Establishing the European Stability Mechanism (the “**ESM Treaty**”) requires that the accounts of the ESM be audited by independent external auditors approved by the Board of Governors and responsible for certifying the annual financial statements. The ESM By-Laws require a mandatory rotation of the external auditors every six years.

In this context, the ESM is seeking to retender the services of an external audit firm (the “**Auditor**”) for a term of three (3) years, renewable once, in accordance with the provisions of the ESM Treaty (Article 29)³ and the ESM By-Laws (Articles 21 (3), 22, 23 and 24(4))⁴.

In the course of its mission, the Auditor shall liaise with different internal stakeholders, the current organisation requiring regular interactions with:

- Internal Audit for the coordination of the ongoing audit work,
- Finance and Control for any information in relation to the Financial Reporting process,
- Corporate Governance and Internal Policies for the coordination of interactions with the Board of Auditors, the EFSF Audit Committee and other governing bodies.

³ <https://www.esm.europa.eu/legal-documents/esm-treaty>

⁴ https://www.esm.europa.eu/sites/default/files/esm_by-laws.pdf

⁵ More information on the ESM reform: [ESM Reform | European Stability Mechanism \(europa.eu\)](https://www.esm.europa.eu/esm-reform)

2. Tasks and Deliverables

The annual financial statements of the ESM are comprised of the balance sheet, the profit and loss account, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements are drawn up in accordance with generally accepted accounting principles and such additional accounting conventions as are defined by the Board of Directors and approved by the Board of Auditors. Currently, the ESM financial statements are prepared and presented in accordance with the Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions, as amended by Directive 2001/65/EC of 27 September 2001, by Directive 2003/51/EC of 18 June 2003 and by Directive 2006/46/EC of 14 June 2006.

In this context, the Auditor shall examine the relevant accounting systems and internal controls of the ESM. The Auditor shall also assess the audit evidence about the amounts and disclosures presented in the financial statements, evaluate the appropriateness of the accounting policies used and the reasonableness of the significant accounting assumptions and estimates.

The financial statements of the ESM shall be audited in accordance with the International Standards on Auditing (ISA) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC⁵ (Regulation (EU) No 537/2014).

The Auditor will be required to submit an audit report no later than 31st March of the following year in respect of the ESM financial statements pursuant to Regulation (EU) No 537/2014.

The Auditor will also be required to submit a management letter no later than 31st March of the following year to the attention of the Managing Director, the Board of Directors and the Board of Auditors. In this letter, the Auditor may draw attention to weaknesses or improvements in the internal control procedures which may be identified during the audit, if any, and may suggest ways in which, in its opinion, certain controls could be improved.

Furthermore, the Auditor will be required to perform a consistency review of the ESM annual report, issued pursuant to Article 27 (2) of the ESM Treaty and Article 23 (2) of the ESM By-Laws, with the ESM financial statements and any applicable assurance services required by the ESM.

During the period of the Engagement, the ESM may issue USD-denominated debt securities. In this context, the Auditor will be required to issue comfort letters and other assurance statements in connection with the ESM financial statements/financial statement schedules as required for the purposes of Rule 144A adopted pursuant to the US Securities Act. Furthermore, the Auditor may be requested to perform other assurance services as specified by the ESM over time.

The external audit process and its results are monitored and reviewed by the ESM Board of Auditors. The Board of Auditors is an independent body composed of five members appointed by the Board of Governors upon proposals of the Chairperson of the Board of Governors, the supreme audit institutions of the ESM Members, and the European Court of Auditors. The Board of Auditors carries out independent audits, inspects the ESM accounts, audits regularity, compliance, performance, risk

⁵ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0537&from=EN>

management, and monitors and reviews the ESM internal and external audit processes and their results. Pursuant to the ESM By-Laws (Article 24 (4)), the Board of Auditors shall have full access to any document and information of the ESM, including data of internal and external audit processes, that are needed for the implementation of its tasks. Therefore, the terms of the contract between the ESM and the Auditor will require that the Auditor provides full access to its audit working papers (including electronic audit files) to the Board of Auditors and to any subject matter experts appointed by and acting on behalf of the Board of Auditors pursuant to Article 24 (5) of the ESM By-Laws. The Auditor shall also have regular meetings with the Board of Auditors and shall provide any clarifications regarding the audit plan, the audit processes and results, as required by the Board of Auditors. For the avoidance of doubt, the Auditor shall also provide the Board of Auditors an additional report as set out in Article 11 of Regulation (EU) No 537/2014.

The Auditor will regularly report to the Board of Auditors and cover key audit matters, such as:

- the audit strategy including the progress, nature and extent of the audit procedures performed;
- the effectiveness of the internal controls over financial reporting;
- the risks of material misstatement due to control design, operating deficiencies or fraud;
- the evaluation of identified deficiencies and indicators of material weaknesses;
- the determination of significant accounts and disclosures and relevant assertions;
- the materiality level applied for the financial statements;
- the extent to which the auditor uses the work of others in the scope of integrated audits;
- identification of material findings and any other matter the auditor may consider significant;
- progress on outstanding recommendations.

Lastly, the services required include periodic meetings of the Auditor with the ESM Board of Directors and Board of Governors in order to present its audit report and management letter. The auditors may be requested to travel to Brussels or other locations within the Euro area to report on these matters to the ESM governing bodies in person.

3. Exclusion of Additional Services

In line with Article 22 (2), para. 2 of the ESM By-Laws, the Auditor is not eligible to provide non-audit related consulting services to the ESM. Its provision of audit-related consulting services shall be subject to the prior approval of the Board of Directors, and the remuneration for such services may not exceed one-third of the remuneration for the audit services. The Auditor is not eligible, however, to provide such audit-related consulting services if the provision of such audit-related consulting services is precluded by Article 5 (1) of Regulation (EU) No 537/2014.

Following the expected ratification of the Agreement Amending the ESM Treaty and the approval of the amended ESM By-Laws, the Auditor would be able to provide audit-related consulting services subject to the prior approval of the Board of Directors, after taking into consideration the non-binding opinion of the Board of Auditors, and provided that the remuneration for such audit-related consulting services may not exceed one-third of the remuneration for the audit services. Such contracts should be terminated as of 31 December 2022.

If upon conclusion of the procurement process, the selected audit firm, which is awarded the Engagement, provides any non-audit related consulting services to the ESM or any other audit-related

consulting services which are not in line with Article 22 (2) of the ESM By-Laws, the selected audit firm will agree that any such consultancy contracts will be terminated with immediate effect upon signature of the Engagement.

4. Subcontracting

During the term of the Engagement, the Service Provider may use entities from its capital group to perform the services required. However, subcontracting the services required to entities outside of the group will not be permitted during the term of the Engagement.

Annex 2

ELIGIBILITY AND EXCLUSION CRITERIA, SELECTION CRITERIA AND OTHER REQUIRED INFORMATION AND DOCUMENTS

1. Eligibility and Exclusion Criteria

1.1. Declaration on eligibility

1.2. Non-Collusion Declaration

Note: See the separate document with the above declarations

2. Selection Criteria

As part of their Application, Candidates are requested to address each item/question below and supply the requested evidence in the correspondingly named and numbered way.

The selection criteria apply to the Candidate as a whole, i.e. a consolidated assessment of the combined capacities of all involved entities will be carried out.

Please note that for the purpose of the evaluation of the Applications, the ESM will assess the responses provided to the items set out below in this Section 2.

2.1. *Economic and financial standing*

Candidates must comply with the following selection criteria in order to prove that they have the necessary economic and financial capacity to perform the Contract.

Item Number	Selection Criteria	Requirements	Evidence
1)	The Candidate must prove sufficient past revenue.	Annual, global revenue of at least 5.8M in each of the last three (completed) financial years generated from the provision of services similar to the services set out in Annex 1 to this PQD.	A signed self-attestation from the Candidate. No specific template is requested by the ESM.

2.2. Technical or professional ability

Candidates must comply with the following selection criteria in order to prove that they have the necessary technical or professional ability to perform the Contract.

Item Number	Selection Criteria	Requirements	Evidence
1)	The Candidate must prove experience in the provision of services similar to the services set out in Annex 1 to this PQD.	<p>At least 5 years of relevant experience in the provision of services similar to the services set out in Annex 1 to this PQD.</p> <p>Please provide three (3) client references from international financial institutions and/or public interest entities and/or international commercial banks. The services must have been performed in the last three (3) years.</p>	<p>A signed self-attestation from the Candidate confirming the ability to fulfil the requirements set out under this item. No specific template is requested by the ESM.</p> <p>Evidence:</p> <p>Please detail the services you have provided to each of the international financial institutions and/or public interest entities and/or international commercial banks, for which you have provided client references.</p> <p>Please include the following:</p> <ul style="list-style-type: none"> Name of client Start and end date of the engagement Scope of the engagement Accounting framework applicable to the audited financial statements Types of financial instruments audited in the context of the engagement <p>Confirmation that the services were delivered in full and on time.</p>
2)	The Candidate must have technical capacity to perform the Contract	Please confirm you have experience in auditing complex financial instruments in the last three (3) years and provide a list of the types of instruments which you have audited.	A signed self-attestation from the Candidate confirming the ability to fulfil the requirements set out under this item. No specific template is requested by ESM.

3)	The Candidate must have technical capacity to perform the Contract	Please confirm that you have appropriate quality control systems in place as required by the Luxembourg Law of 23 July 2016, concerning the audit profession, in line with the International Auditing Standards on Quality Control (ISQM).	A signed self-attestation from the Candidate confirming the ability to fulfil the requirements set out under this item. No specific template is requested by ESM.
4)	The Candidate must have technical capacity to perform the Contract	Please confirm that the audit experience of the audit team, which will be assigned to the Engagement will cover: <ul style="list-style-type: none"> • The International Financial Reporting Standards (IFRS) as adopted by the European Union • Auditing of financial transactions, including funding, investment and treasury transactions • IT Systems. 	A signed self-attestation from the Candidate confirming the ability to fulfil the requirements set out under this item. No specific template is requested by ESM.
5)	The Candidate must have technical capacity to perform the Contract	Please confirm that the audit experience of the audit team, which will be assigned to the Engagement will cover: <ul style="list-style-type: none"> • EU Accounting framework (Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions, as amended by Directive 2001/65/EC of 27 September 2001, by Directive 2003/51/EC of 18 June 2003 and by Directive 2006/46/EC of 14 June 2006) • Auditing of financial transactions, including funding, investment and treasury transactions • Issuances of comfort letters and other assurance statements in connection with financial statements/financial statement schedules as required for the purposes of Rule 144A adopted pursuant to the US 	A signed self-attestation from the Candidate confirming the ability to fulfil the requirements set out under this item. No specific template is requested by ESM.

		Securities Act in the context of USD-denominated debt securities IT Systems.	
6)	The Candidate must have technical capacity to perform the Contract	Please confirm that you have the managerial and technical ability to perform audits in accordance with generally accepted auditing standards and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (Regulation (EU) No 537/2014,) and the International Standards on Auditing (ISA).	A signed self-attestation from the Candidate confirming the ability to fulfil the requirements set out under this item. No specific template is requested by ESM.

2.3. Authorisation and suitability to carry out the relevant professional activity

Candidates must comply with the following selection criteria in order to prove that they have the necessary authorisation and suitability to perform the Contract.

Item Number	Selection Criteria	Evidence
1)	Please confirm that you have been approved and are subject to public oversight in accordance with Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC.	A signed self-attestation from the Candidate confirming the ability to fulfil the requirements set out under this item. No specific template is requested by ESM.

Annex 3: Other Required Information and Documents

3.1. Cover certification form

3.2. Consortium declaration

3.3. Subcontractor commitment letter

Note: See the separate document with the above declarations