

THE TERMS OF REFERENCE

To invite bids to conduct a research study on the Reporting by Business on Executive Pay Ratios

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Acronyms and Abbreviations

Acronym	Description
IGP	Inclusive Growth Programme
OECD	Organisation of Economic Cooperation and Development
PSC	Project Steering Committee
SLA	Service Level Agreement
the dti	The Department of Trade and Industry

REQUEST FOR PROPOSALS (RFQ):

The IGP invites interested service providers to submit proposals to conduct research on the Reporting by Business on Executive Pay Ratios.

Title of the BID: Reporting by Business on Executive Pay Ratios

Bid number: IGP_RFP_04

NOTE: Should a vendor have reason to believe that the Terms of Reference are not open to promote competition or that it is written based on a particular brand / product / entity; the vendor shall notify the Bid Office of the IGP within ten (10) calendar days after publication of the bid.

1 PURPOSE

- 1.1 The purpose of the proposed research is to understand the nature and extent of the wage disparity between the highest paid workers (executives) and lowest paid workers challenge and how it manifests, and thereby develop a consciousness that will lead to action on the part of business. This will be done with the intention of introducing reporting by employers based on defined ratios (in Annual Reports). The modalities and feasibility of mandatory reporting needs to be informed by research and in consultation with various stakeholders. This research project will inform those modalities and will make recommendations thereon.

2 BACKGROUND

- 2.1 South Africa has one of the highest levels of inequality in the world. This is reflected in the workplace where there are significant disparities between the pay of executives and lowest paid workers.
- 2.2 In October 2018, the President of the Republic of South Africa convened a Jobs Summit, the purpose of which was for social partners (Government, Business, Labour and Community) to identify solutions to job retention and job creation in order to stimulate greater participation in the economy.
- 2.3 One of the agreements reached (by all of social partners) at the Presidential Jobs Summit was to aim to address the significant disparities between the pay of executives and lowest paid workers. During the Presidential Jobs Summit process, social partners acknowledged that there is currently no information available as to the extent of the disparity and how it manifests across sectors. Particularly because there is no mechanism in place to measure disparities, the disparity is not well understood. Social partners therefore agreed that it is necessary to undertake research to better understand the disparity and to also determine what reporting mechanisms should be phased in so that employers will be required to report on pay disparities within defined ratios.

3 OBJECTIVES

The objectives of this study are:

- 3.1 Understand the nature and extent of the wage disparity challenge and how it manifests and thereby develop a consciousness that will lead to action on the part of business;
- 3.2 Recommending in what form and manner employers should report on wage ratios

4 SCOPE OF WORK

The Research Report should, taking into account the nature and extent of wage disparity in South Africa, consider and recommend what would be the most appropriate and credible reporting mechanism to use in South Africa taking into account the following:

- a) How total compensation should be determined (ie: what compensation should be reported on).
- b) Which ratio or measure is the most appropriate to be published or reported on?
- c) Which companies should be required to report on wage ratios?
- d) How should the mandatory publication of ratios be implemented?
- e) Who should issue and publish the instructions, guidelines and rules?
- f) How should non-compliance be addressed?
- g) What tools can promote compliance.

The final report should provide a descriptive discussion on each of these measures to inform the decision to be made on reporting and the form in which it should take place. This discussion should also discuss some data collection challenges that have emerged from the international experience.

5 METHODOLOGY

- 5.1. Bidders must clearly stipulate the methodological approach that will be followed to conduct this analysis and clearly stipulate what research methods and techniques will be used, why the specific methods and techniques are proposed, what advantage, disadvantage and risk factors there are.
- 5.2 It is expected that the study will employ mixed research methods. It is anticipated that data will dominantly be collected from secondary sources and that a significant amount of time will be spent on analysis and modelling to show the potential impact of the proposed frameworks or interventions. The approach should involve a combination of qualitative analysis, a review of the international experience and semi-structured participant engagements with key stakeholders and institutions.
- 5.3 In addition, a detailed project implementation plan outlining key activities, timelines, outputs and utilisation of suggested team members must be submitted with the bid.

6 DELIVERABLES

- 6.2 Regular project progress reports and meetings as will be agreed to between the service provider and IGP Project Manager.
- 6.3 A detailed draft report covering the scope of work as outlined in section 4 above. This report must be submitted within 3 months of commencement of the project
- 6.4 Final report should be submitted as follows:
 - a) Electronic final report in word and pdf formats.
 - b) The final report should be submitted within 6 months of the project inception.

7 QUALIFICATIONS, EXPERIENCE AND EXPERTISE

The successful service provider must meet the following minimum qualifications and experience requirements:

- 7.1 The Project Leader
 - a) Postgraduate qualification in strategy or management.
 - b) 5 years' practical experience in economics or transformation research. Furthermore, he/she must have knowledge and understanding of South African political economics.
 - c) Two (2) case studies of similar assignments undertaken in the past 10 years should be provided as evidence of experience.
- 7.2 Other proposed core team members. In order to facilitate comparability and ease of evaluating bids, it is proposed that bidders propose a core team of no more than four experts.
 - a) Degree/Diploma in Economics, Business Finance, or, Business Management studies.
 - b) 5 years' practical experience in economics or transformation research. Information on at least one (1) relevant project/assignment completed in the past 5 years should be provided per team member.
- 7.3 Bidders must submit comprehensive CVs of all proposed key staff. A table summarising the qualifications and experience of the proposed team must be provided as indicated in below table.
- 7.4 Where proposed team members hold foreign qualifications, certified copies of South African Qualifications Authority *certificates of evaluation* must be submitted

Name and role of proposed team member	Relevant qualification(s) and courses successfully completed	Relevant experience working on previous projects	Year and client contact details

- 7.5 **NB: The IGP** reserves the right to vet all documentation and information provided by bidders to prove their relevant experience and ability to perform the service.

8 CONDITIONS

- 8.1 A Service Level Agreement (SLA) will be signed with the successful bidder.
- 8.2 Proposed key staff members must participate actively and be available to perform services in accordance with the SLA and the project implementation plan. In instances where a proposed key staff member is not available to perform services at a specific period in time, the bidder will be responsible to provide a replacement with similar qualifications and experience in order to guarantee the same standard of work to **the IGP**.
- 8.3 The IGP reserves the right to vet all qualifications and other documentation provided by bidders to prove relevant qualifications, experience and expertise prior to appointment.
- 8.4 Copyright and intellectual property rights to all documentation, reports etc. that emanate from assignments commissioned to Strategic Partners will vest with **the IGP**.
- 8.6 Bids received after the closing date and time, at the address indicated in the bid documents, will not be accepted for consideration and where possible, be returned unopened to the bidder.
- 8.7 Bidders' attention is drawn to the fact that amendments to any of the Bid Conditions or setting of counter conditions by bidders may result in the invalidation of such bids.
- 8.8 **The IGP** reserves the right to conduct supplier due diligence prior to final award or at any time during the contract period. This may include site visits.
- 8.9 The Bid Office Officials of **the IGP** may communicate with bidders where clarity is sought after the closing date of the bid and prior to the award of the contract, or to extend the validity period of the bid, if necessary.
- 8.10 All communication between the bidder and the Bid Office Officials of **the IGP** must be done in writing.

9 PRICE

- 9.1 Bidders must submit a detailed budget which indicates professional hourly fee rates of the proposed key staff.
- 9.2 The hourly and daily rates quoted must be quoted in RSA currency.

10 THE IGP OBLIGATIONS

- 10.1 **The IGP** Project Manager will serve as the contact person on all matters relating to the project;
- 10.2 **The IGP** Project Manager will review, evaluate and approve the services provided by the Service Provider against the Service Level Agreement on an ongoing basis and prior to payment is made;
- 10.3 **The IGP** will supply all reasonable, relevant, available data and information required and requested by the Service Provider for the proper execution of the services and such assistance as shall reasonably be required by Service Provider in carrying out their duties under this contract.

11 OBLIGATIONS OF APPOINTED SERVICE PROVIDER

- 11.1 The appointed service provider undertakes to act as an independent contractor in respect of the work;
- 11.2 Work closely with the Project Manager of **the IGP**.
- 11.3 Attend meetings when required by the Project Manager for the purposes of obtaining information or advice with regard to the work and assignments or any matters arising from or in connection therewith;
- 11.4 Be responsible for its own computers and technical literature to adequately perform all the functions;
- 11.5 Exercise all reasonable skill, care and diligence in the execution of the work and shall carry out their obligation in accordance with professional standards;
- 11.6 In all professional matters act as a faithful partner and advisor to **the IGP**, as well as respecting the laws and customs of any country and provinces in which any business in relation to the project is conducted;
- 11.7 Keep all information availed in the course of the project confidential and as the property of **the IGP**;
- 11.8 Sign a confidentiality declaration form, undertaking to keep all the information at his/her disposal as a result of being awarded the contract by **the IGP** strictly confidential;
- 11.9 Not disseminate any information gathered during the conduct of the project, publicize or release media statements in relation to the assignment;
- 11.10 Not distribute without prior written approval of **the IGP**, any information gathered during the conduct of the assignment as such information will remain the property of **the IGP**
- 11.11 Deemed to have been satisfied as to the correctness and sufficiency of the rates and prices set out in their bid for the services to be rendered;
- 11.12 Must plan and provide for all possible risks that may affect the delivery of the project on time and indicate what mechanisms are in place to manage such risks.

12 BID SUBMISSION AND EVALUATION PROCESS

- 12.1 The 80/20 principle and **two envelope / file system** will apply in evaluating the proposals in accordance with the amended PPP Regulations pertaining to the Preferential Procurement Policy Framework Act; Act no 5 of 2000 that came into effect on 7 December 2011. The reason for applying the **two envelope / file system** is to ensure that price does not influence the evaluation of the functional proposals.
- 12.2 **Two envelope system** is based on the submission of the functional and financial proposals in two separate envelopes / files. **NO** financial / pricing information may be contained in the functional envelope as this will lead to automatic disqualification. Submission must be done as follows:

12.2.1 **Functional proposal:** Bidders must submit their functional proposal in a word or pdf document indicating the following details on the cover page:

- (a) Name of the bidder.
- (b) Bid Number.
- (c) Closing date and time.

This document should *only* contain the functional proposal and **NO** financial / pricing information.

Financial / pricing information in a functional proposal will lead to automatic disqualification of that specific proposal.

12.2.2 **Financial proposal:** Bidders must submit their financial proposal in a separate file indicating the following details:

- (a) Name of the bidder.
- (b) The name of the **Theme** the bidder is applying for.
- (c) Bid Number.
- (d) Closing date and time.

12.3 **FAILURE TO COMPLY WITH THE TWO ENVELOPE / FILE REQUIREMENT WILL AUTOMATICALLY INVALIDATE A BID.**

12.4 All bids will be evaluated in terms of the two phase process once the pre-qualifying of bids received is done. All bids received will be subjected to a pre-qualification process to determine compliance with compulsory requirements / conditions. All bids that pass the pre-qualification process will then be evaluated as follows:

12.4.1 **First phase: Functional evaluation.** This evaluation is based on the functional proposal submitted in envelope one (functional envelope). For this phase there is a cut-off score of 70% and only the proposals that score 70% and above during the functional evaluation will be considered during the second phase of evaluation.

12.4.3 **Second phase: Price and B-BBEE status level.** During the second phase all bids that scored 70% and above during the interview phase will be considered for the third phase where points will be calculated for price and B-BBEE scores in accordance with the amended PPP Regulations pertaining to the Preferential Procurement Policy Framework Act, Act no. 5 of 2000 that came into effect on 7 December 2011.

Key scores

Score	Description
0 – Non-compliant	No evidence provided to substantiate compliance
1 – Poor	Unacceptable, does not meet set requirements
2 – Average	Reasonable but not sufficient to fully satisfy the set requirements
3 – Good	Fully complies to the set minimum requirements

4 – Very Good	Above average compliance to the set requirements
5 – Excellent	Meets and exceeds the set requirements

PHASE 1: FUNCTIONAL EVALUATION

No.	Criteria	Weight	Rate (0-5)	Total Score
1.	Team’s Qualifications & Relevant Experience			
1.1	Team’s qualifications	20		
1.2	Team’s relevant experience	20		
1.3	Knowledge of and understanding of the South African business sector and various subsectors and current systems of corporate reporting , with specific emphasis on remuneration	30		
1.4	Proposed methodological approach	30		
	TOTAL	100		

PHASE 2: PRICE AND PREFERENCE POINTS

	<u>80/20 PRINCIPLE</u>	POINTS
1	<u>Price</u>	80
2	<u>B-BBEE status level of contribution</u>	20
	MAXIMUM POINTS	100

13 CONTRACTUAL PERIOD

13.1 The study should be completed within 6 months. The commencement and end date will be indicated in the Service Level Agreement.

14 DEADLINE AND ENQUIRIES

14.1 Proposals must be submitted by email to mira.blumbergpahad@uct.ac.za. The deadline for the submission of proposals is **05 January 2020 no later than 16.00**. Please use the email subject line “IGP RFP 04 proposal: Reporting by Business on Executive Pay Ratios”.

14.2 All bid-related questions should be directed in writing to the following official:

Ms. Kezia Lilenstein

Project Manager: Inclusive Growth Programme

Development policy Research Unit

University of Cape Town

Email: kezia.lilenstein@uct.ac.za

15 ANNEXURE A: FORMAT AND CONTENT OF PROPOSALS

In order to facilitate ease of evaluating submitted bids, bidders are encouraged to submit their technical proposals in the following format.

PROPOSAL COVER/TITLE PAGE:

- **Title of the BID:** (as written on the tender documents)
- **Bid number:** (as written on the tender documents)
- **Name of Bidder:** (Name of the bidding organisation)
- **Contact details:** (Physical address, telephone numbers and email address)
- **Date:** (Closing date as specified on the tender document)

SECTION 1: INTRODUCTION & BACKGROUND

- Purpose of the proposal
- Brief description of the bidding organisation (e.g. type of business, core business, services, areas of specialisation, achievements etc.).
- Understanding/interpretation of the terms of reference and the scope of work
- The structure of the proposal.

SECTION 2: ECONOMIC AND SECTORAL CONTEXT

The purpose of this section is for the bidder to demonstrate that they have the knowledge and understanding of the SA's and global economic environments and of the technical areas of this study including sectoral dynamics, subsidies, trade relations etc. The bidder must provide a brief discussion of following:

- The SA's and global latest key economic trends;
- SA's and global business practices in corporate reporting both mandatory and voluntary
- Key highlights and latest trends in improving transparency in reporting of pay gaps between executives and other staff levels

SECTION 3: PROPOSED METHODOLOGY

Bidders must clearly stipulate the methodological approach that will be followed to conduct this analysis and clearly stipulate what research methods and techniques will be used, why the specific methods and techniques are proposed, what advantage, disadvantage and risk factors there are.

SECTION 4: QUALIFICATIONS AND RELEVANT EXPERIENCE OF THE PROPOSED TEAM

This section should outline relevant qualifications and experience of the proposed team as per the example in the table below:

Name and role of proposed team member	Relevant qualification(s) and courses successfully completed	Relevant experience for the project	Year and client contact details
Thabo Modise – Team Leader	Masters in Development Economics - 1999 Post graduate diploma in research methods - 2005	<ul style="list-style-type: none"> ▪ Led a project that analysed corporate reporting systems ▪ Was part of a team that investigated ways to improve transparency of reporting corporate remuneration 	Insert year and client contact details
Nirashne Naidoo – Corporate reporting specialist	Degree in Development Economics, 2011 Post graduate diploma in M&E in corporate sphere	<ul style="list-style-type: none"> ▪ Developed corporate reporting systems 	Insert year and client contact details

The above summary table should be followed by a detailed description of the relevant experience of each proposed key team member in line with the requirements outlined in section 7 of the RFP.

SECTION 5: PROJECT IMPLEMENTATION PLAN

A comprehensive project implementation outlining key activities, timelines, outputs and proposed dates for presentations and submission of progress reports must be provided.

SECTION 6: ANNEXURES TO BE ATTACHED

- a) CVs of all proposed team members.
- b) Executive summaries of relevant assignments completed.
- c) BEE Certificate