

# Sustainable Supply Chain Financing Solution

## What does this refer to?

Addresses the **Working Capital needs of Buyers and their Suppliers** to help them meet Sustainability objectives that may impact environmental or social aims (e.g. improvements in labour, health and safety standards). Key sectors include, but are not limited to, Apparel & Footwear and Fast Moving Consumer Goods (FMCG), where HSBC has a deep understanding of the supply chain through our global presence.

## HSBC will offer a joined-up approach by:

1. Seamlessly integrating the proposition into HSBC's existing supply chain financing operating system, with pricing differentials based on the Buyer's own Sustainability metrics of Supplier performance to ensure the proposition is client-led.
2. Working with the certification provider or alignment on programme components, given the challenges of the local market e.g. Inspection capability
3. Including capacity building, where viable, through referrals to non-profits
4. Identifying additional global brands for joint partnership, where viable

## Proposition

### Structure

- ♦ Client's own Sustainability rating applied e.g. HIGG Index & SAI (Social Accountability Index), Worldwide Responsible Accredited Production (WRAP), BSR & SEDEX
- ♦ Rating system can be used to determine Supplier pricing based on the certification type determined by meeting Sustainability compliance
- ♦ Transparent pricing model: Suppliers know how they are measured

### Pricing Model

- ♦ Tiered pricing premium/discount based on Buyer's rating of Supplier's Sustainability performance
- ♦ Supplier pricing improves as their Sustainability rating increases, incentivising improved Sustainability
- ♦ Pricing is determined by the Buyer and implemented by HSBC

## Benefits

### Buyer

- ♦ Working Capital is released with supply chain efficiency and compliance improvements
- ♦ Ability to incentivise/reward Sustainability improvements along the supply chain and future-proof Suppliers
- ♦ Go deeper with their key Suppliers on a local basis to make them healthier, more flexible and more sustainable

### Supplier

- ♦ Working Capital is improved, from access to additional liquidity and lower pricing, as Sustainability rating increases
- ♦ Transaction and margin pricing reflecting the Buyer/Supplier relationship and enhances overall relationship with Buyer
- ♦ Access to improved financing as an incentive to make Sustainability improvements