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DerTreasurer
WEBINAR

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Supply Chain Finance

Webinar Der Treasurer

Dr. Michael Dietz

March 2022



Increasing transformation of the market

- Working closely with suppliers has become mandatory

Software company SAP acquires a majority stake to Taulia

By Georgia Wilson

March 10, 2022 • 3 mins

Trade Information Network launched by seven banks to transform trade finance

Deutsche Bank buys minority stake in Traxpay

DZ Bank to use Digital Supply Chain Finance Platform Developed by Traxpay

PUBLISHED 24 MARCH 2022

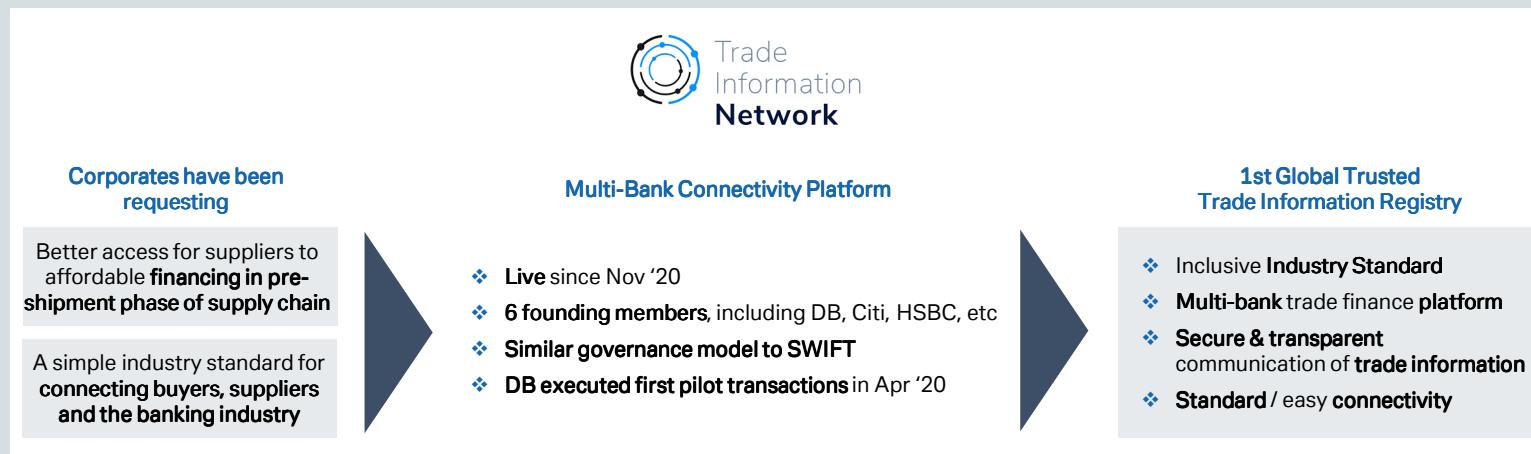
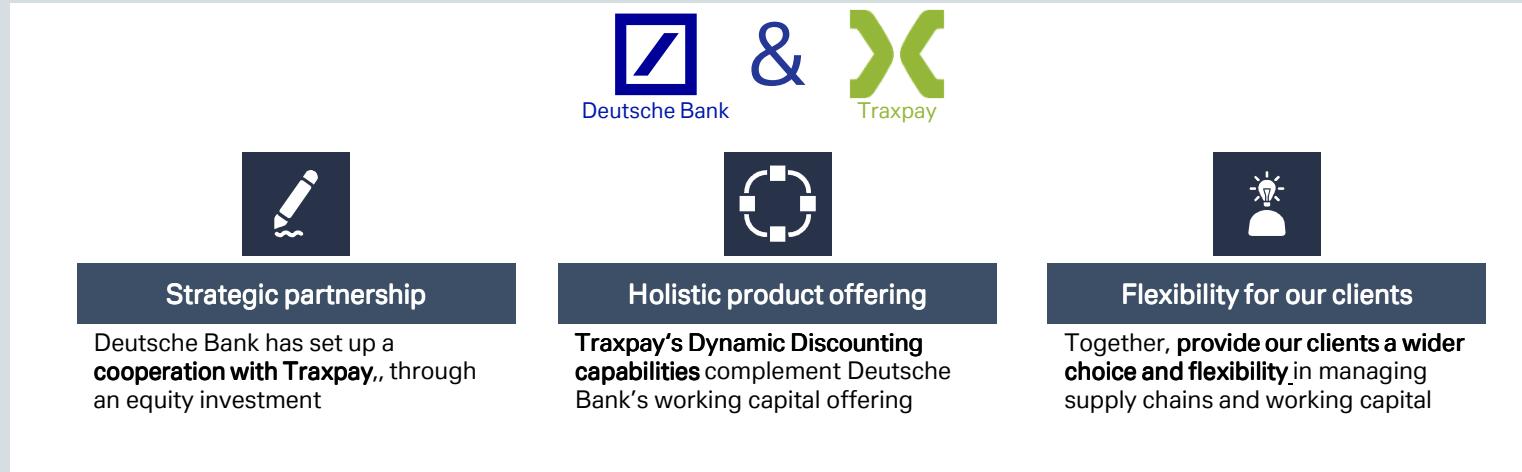
Greensill scandal is about more than sleaze

The Treasury and regulators need to consider their responsibilities



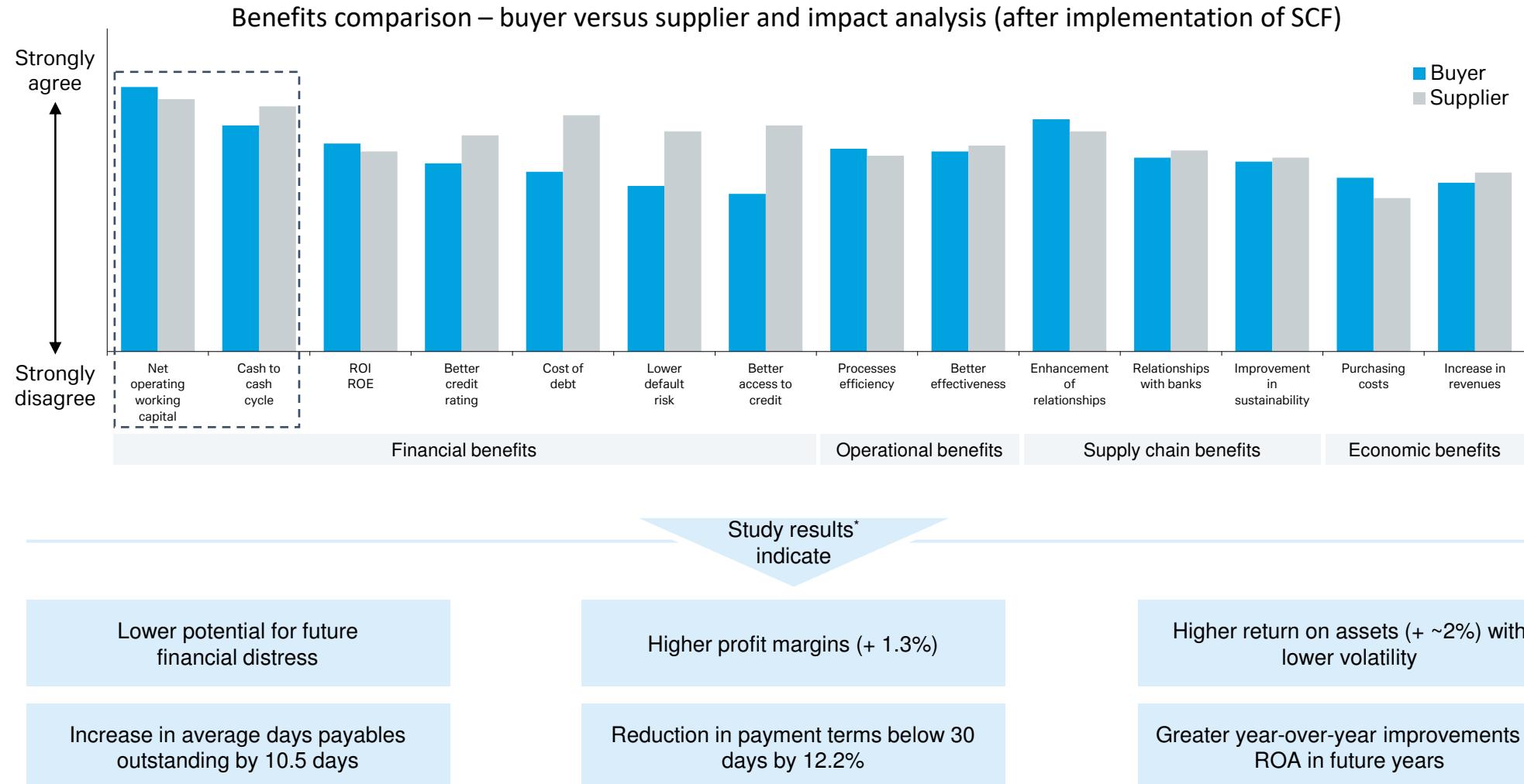
SCF has reached scale at Deutsche Bank

- Continuous investments in SCF developments backed by extensive sponsorship from senior management



Why Supply Chain Finance?

► Reasons for and consequences of SCF



Source: PwC SCF Barometer 2020

*Chuk, Elizabeth and Lourie, Ben and Yoo, Il Sun, The determinants and consequences of reverse factoring: Early evidence from the UK (July 20, 2021). Available at SSRN: <https://ssrn.com/abstract=3890547>



Trends we observe in the SCF market

- Shaping the industry by quickly responding to a changing environment



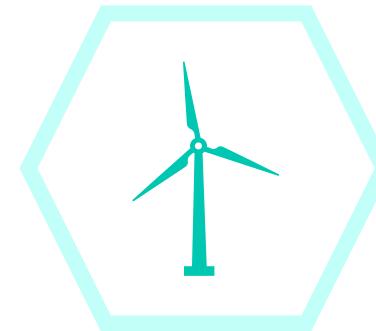
SCF is an integral part of the buyer-supplier interaction; helps increase transparency & building robust supplier networks



SCF is going digital, offering potential for innovation (e.g. analytics and artificial intelligence that allow scenario analyses)



Corporates with a proactive approach to finance and treasury tend to perform better



Buyers can incentivise sustainable practices in their supply chain while suppliers can monetise their sustainable performances

Why is ESG important?

- Six key drivers for corporates and for banks

Public pressure & Consumer Preferences

Tetra Pak reacts to demand for sustainable packaging solutions



#FridaysForFuture

Environment: Green Living
Online protest drives Nestlé to environmentally friendly palm oil
Food giant bows to Greenpeace campaign and vows to cut its 'deforestation footprint'
By Martin Hickman, *Financial Times Correspondent*

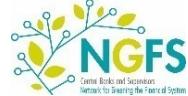
EU Airlines Face Greater Environmental Pressure But Are More Sustainable Than U.S. Counterparts

Regulation



Renewed sustainable finance strategy
EU Taxonomy
Capital Requirements?

Sustainability risks: BaFin publishes Guidance Notice



Stress Testing

SEC Moves Closer to Requiring ESG Disclosures for Public Companies

Organisational standards & guidance



ILO is devoted to promoting social justice and internationally recognized human and labour rights



OECD promotes policies that will improve the economic and social well-being



ISO sets norms and standards also related to ESG aspects

Changes in Financial Industry

"According to DB Research by 2035 nearly all global AuM will have integrated ESG"



BLACKROCK

"We believe that sustainability should be our new standard for investing." – Larry Fink

DWS further strengthens ESG strategy with new hire

German group appointed Desiree Hixler in the newly-created role of group sustainability officer

Credit rating agencies join battle for ESG supremacy

Deutsche Bank creates criteria for classifying ESG financing

Data & Disclosure



Big data catches out 'greenwashing' and provides forward-looking market signals that outperform the market.



Review of the Non-Financial Reporting Directive: towards an EU-wide ESG reporting standard

COVID 19 – demonstrates importance of ESG

- The "S" has risen in prominence: Green agenda; employee, customers and supply chain, workplace & employee safety
- ESG leaders have outperformed benchmarks in the volatile markets



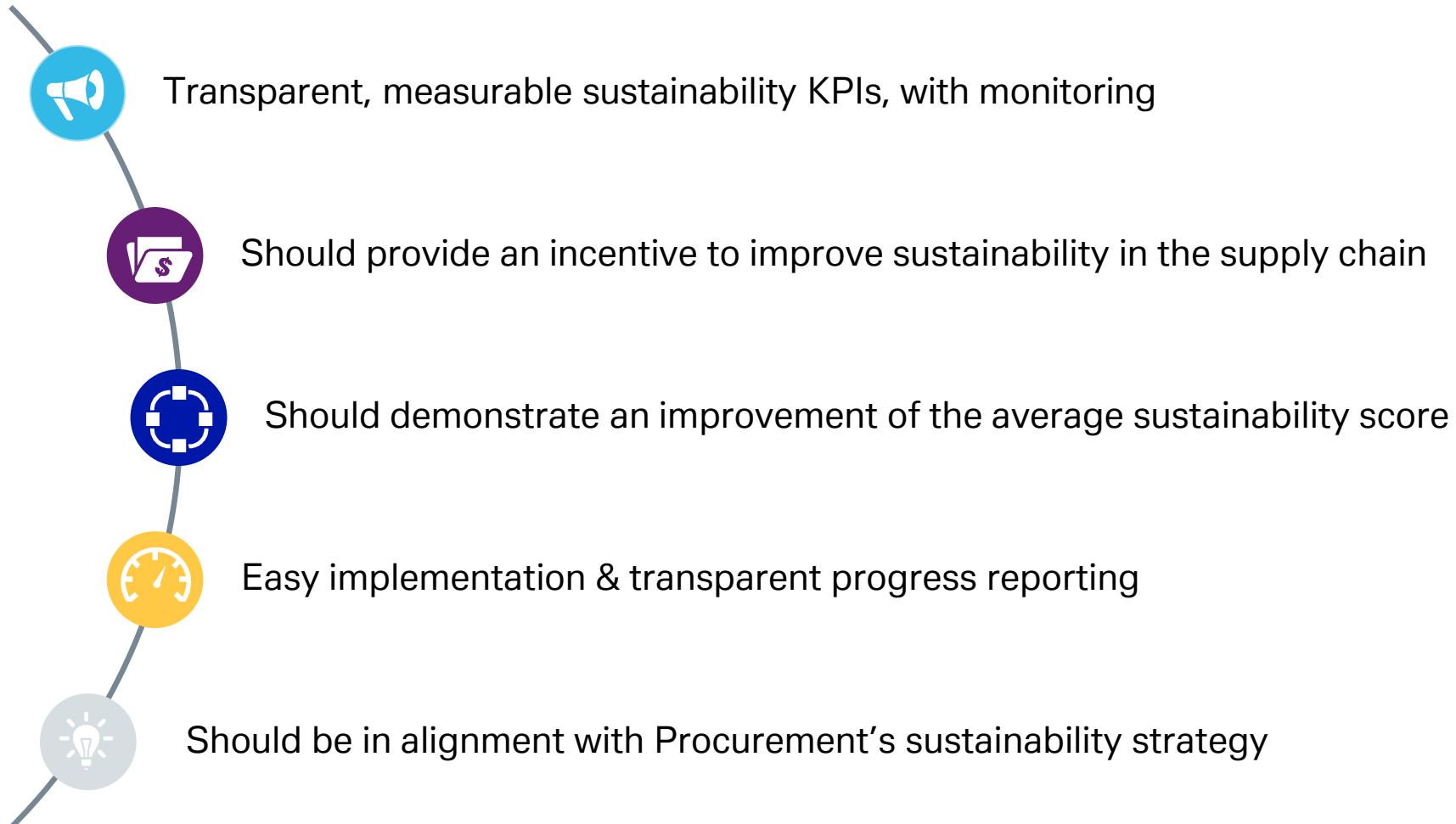
How does SSCF support you and your ESG strategy?

- SSCF helps promoting ESG in the supply chain while it also improves market perception



Key principles of a robust sustainability-linked SCF Program

- Focus on transparency and incentive mechanism for improving sustainability in the supply chain





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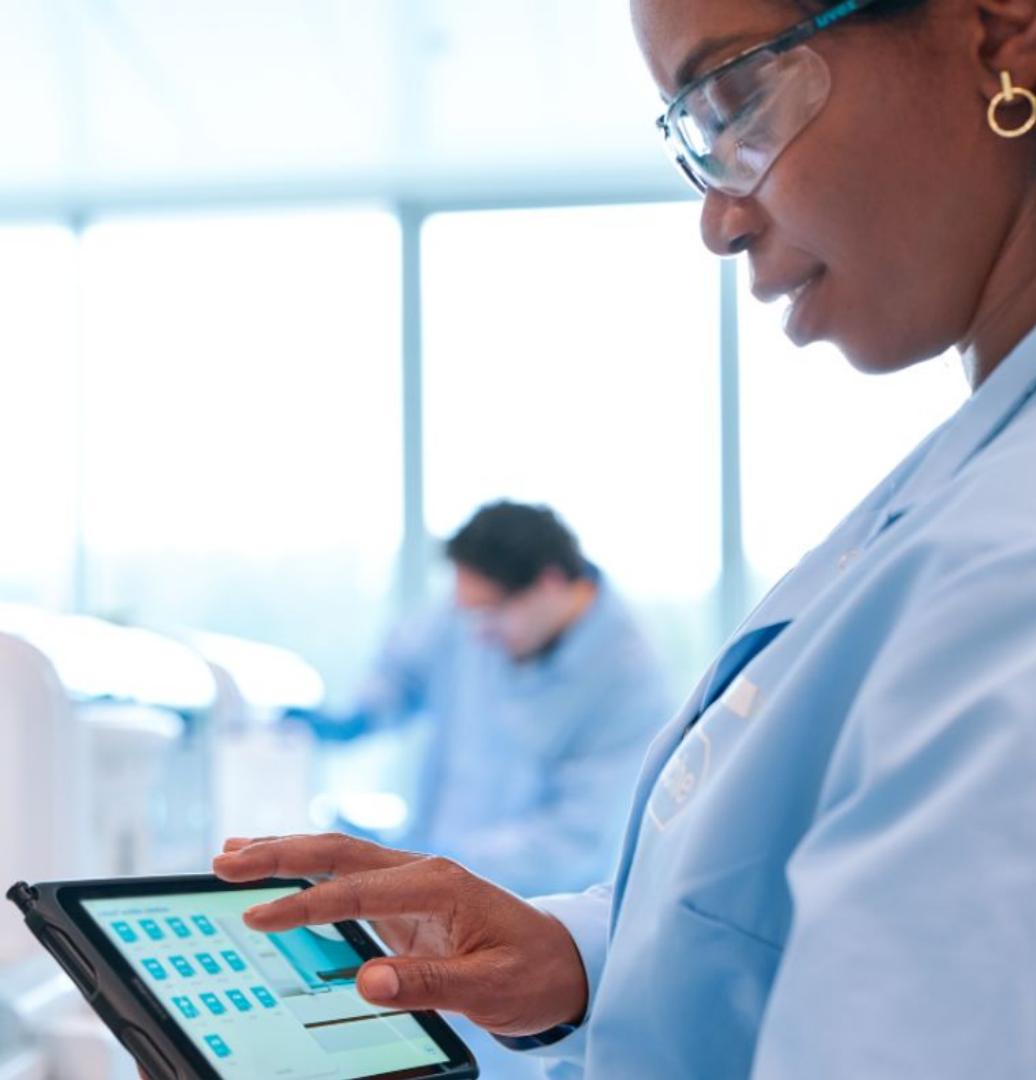
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Widerstandsfähige & nachhaltige Lieferketten

- wie sind diese erreichbar ?

March 29th 2022



Roche at a glance 2021

Founded 1896 in Basel, Switzerland.
Founding families hold majority stake.
Clear focus on unique innovation model.
World's largest biotech company.
Leadership in in-vitro diagnostics.

- Employing 100,920 people
- Sales of CHF 62.8 billion
- R&D core investments of CHF 13.7 billion
- 32 Roche medicines on the WHO Model List of Essential Medicines
- 27 billion tests conducted with Roche Diagnostics products
- 16.4 million patients treated with Roche medicines
- Ranked as one of the most sustainable healthcare companies by DJSI*

* Dow Jones Sustainability Indices



Supply Chain Financing Management @ Roche

- Supply Chain Financing
- Purchase Order Financing
- Blockchain Pilot
- ESG - Sustainability

Supply Chain Financing (SF)

- Long Term Ratings: AA (S&P and Fitch) / Aa3 (Moody's)
- Bank-driven programs since 2011
 - Highly automated process for both Roche & suppliers
- Global reach
- Proven win-win for many suppliers
- Initial focus: working capital improvement & strengthening relationship with key suppliers
- Programs doubled in size during COVID-pandemic

Purchase Order Financing (PO)

- Demand from suppliers: Financing required BEFORE Invoicing
- 2021: piloting Trade Information Network with Deutsche Bank and other Roche core banks
- Aim: to provide optimal financial support to suppliers along the WHOLE value chain (“from order to delivery”)
- Challenges
 - Suppliers often not willing to disclose financial situation to customer
 - “Marriage” of PO & SF Financing process-wise
 - Attractive Pricing of PO-Financing

Blockchain Pilot within Accounts Payable

- Successful PoC in 2021
- Pilot planned for 2022
 - Goal: to combine physical supply chain (EPR-based) with financial supply chain (Treasury System / Swift)
 - 1 integrated process: from Order to Payments
 - Smart contract based
 - Joined Master Data
 - One “joined” truth = fraud protection / higher security
 - Seamless workflows that improve efficiency and process times
- 2022: GoLive with assorted suppliers and Deutsche Bank’s trigger solution

ESG - Sustainability

- Roche ranked as one of the top three most sustainable healthcare companies in the Dow Jones Sustainability Indices for the 13th year running
- Environmental / Greenhouse Gas
 - Emission Level 1 & Level 2 Emissions compensated
 - Level 3 represents over 80 % of the overall
 - “Heat Map” establish to identify most impactful areas of improvement
 - Many projects established across ESG spectrum
- Roche Pilot on ESG related SCF under EU Taxonomie ongoing
- More projects in pipeline (eg extension to Supply Chain Financing program)

ESG - Concept towards Supply Chain

- Support internal decision maker with ESG relevant data
- Leverage Spend “Heat-Map” to identify most impactful projects with Suppliers/Partners
- Support our suppliers with optimized cash-flow (SCF, POF) to enable them to invest in ESG
- Acting as catalyst (where needed) between Roche Suppliers and Financial Investor to enable funding for Supplier projects under EU Taxonomy



To summarize

- Strong partnership with key suppliers and beyond
- Leveraging Roche's strong Credit Rating
- Thinking end-to-end
 - Integrated process flow
 - Financial support
- New & dedicated focus on ESG



Vielen Dank für Ihre Aufmerksamkeit!

Das nächste DerTreasurer Webinar mit der Deutschen Bank
findet am 31. Mai 2022 statt.