DEG – Promoting entrepreneurial initiative – Shaping development
DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH

Helping SMEs Go Global – Moving Forward in SME Finance
Session 1: Fostering SME Finance in Sustainable Global Value Chains

Bruno Wenn, Chairman
24.02.2017
Reaching SMEs through finance and advise of financial intermediaries reaching SMEs

DEG: 3.7 billion EUR of financing + business support services for financial intermediaries

DEG’s financial intermediary activities
DEG’s business support for managing E&S risks
Providing SMEs with access to global value chains

Professionalization of a producer of pharmaceuticals
Astrim, South Africa

Access to EU market for a cannery for green beans
Meru Greens Horticulture and 12,000 smallholder farmers, Kenya
Financing SMEs sustainably requires:

- Needs-focused sustainable SME financing
- Scaling up successful approaches
- Creating fair conditions and a conducive environment for SMEs in (global) value chains
Responsability at a glance

- Development Investments
- Founded in 2003
- Finance
- USD 3 bn AuM
- Agriculture
- 80% private sector investors
- Energy
- 500 transactions per year

Source: responsAbility Investments AG, as of 31.12.2016
responsAbility Investments AG “responsAbility“, March 2017
CHALLENGES FOR AGRICULTURE SME BUSINESSES

- Weak negotiating position
- Lack of capability to cope with price volatility
- ESG compliance
- Limited market access
- Lack of access to working and investment capital
- Few opportunities to switch to sustainable production

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HOW CAN WE DO BETTER?

Development Investments

Scale
Public Private Partnership

Synergies

Finance
Agriculture
Energy

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SAP Rural Sourcing Management
Enabling the digital inclusion of smallholder farmers

- **Innovative mobile applications** for the digital inclusion of smallholder producers.
- **High-volume transactions** like farmer registration, prepayment, input supply, grading, purchase, logistics and payments are recorded and synchronized in the field in real time via smartphone.
- **Further applications** support data analysis, facilitate operational field support and ensure traceability.
- **Digital track records** serve as basis for financial services for smallholder producers.
17 Pilots
2 Early Customers
7 Countries (BEN, BFA, CIV, GHA, MOZ, SLE, UGA)
10 Language Versions (including local languages)
100,000+ Smallholder Producers
6 Crops (Cashew, Cocoa, Coffee, Rice, Sesame, Shea)
170,000+ Transactions
**PUMA VENDOR FINANCING PROGRAM (PVFP):**
transform sanctions into sustainability incentives in supply chain business

PUMA’s input to the G20 Workshop “Helping SMEs Go Global – Moving Forward in SME Finance”

Frank Waechter, Senior Head of Group Treasury & Insurance

Frankfurt, 24th Feb. 2017
PUMA’s Sustainability Targets 10FOR20

**SOCIAL COMPLIANCE**  
(SDG 3, 5, 8 and 10)  
Compliance with Industry Standards/ ILO Core Conventions for all key suppliers, including suppliers of finished goods, component and material suppliers

**HUMAN RIGHTS**  
(SDG 3, 4, 5, 10)  
Embed Human Rights across our operations and suppliers. Positively impact the communities where PUMA is present

**HEALTH & SAFETY**  
(SDG 3)  
Zero Fatal Accidents; Injury rate below industry average

**CLIMATE**  
(SDG 13)  
Science based CO₂ reduction target to be developed (2016) and implemented (2020)

**CHEMICALS**  
(SDG 3, 6)  
Zero Discharge of Hazardous Chemicals from our Supply Chain by 2020

**STAKEHOLDER ENGAGEMENT**  
(SDG 17)  
Stakeholder Dialogue  
Public Reporting (GRI)  
Consumer Information

**GOVERNANCE**  
(SDG 8, 16)  
Maintain and run a state of the art Compliance Management System (incl. Anti-Corruption measures)

**ENVIRONMENTAL P&L**  
(SDG 7, 12)  
Continue to report on the EP&L every year under the lead of KERING

**WATER & AIR**  
(SDG 6)  
Industry Good Practice for effluent treatment and air emissions are met by 90% of PUMA key suppliers with wet processing facilities / significant air emissions

**MATERIALS**  
(SDG 12, 15)  
More sustainable alternatives used for our key materials (cotton, polyester, leather, cardboard, PU)

**PUMA Sustainability Targets 10FOR20**

*SDGs = United Nations Sustainable Development Goals*
Integration of Sustainability into Business …

EXAMPLE: THE AWARD WINNING PUMA VENDOR FINANCING PROGRAM

- Option to ‘sell’ your invoices to a funding partner for early payment via the GTN platform
- Invoice-by-invoice* basis (3), making the program very flexible. Ordering (1) and shipping (2) remain unaffected normal procedure
- Funding partner transfers (4) early payment (= invoiced amount less the PVFP fee) to suppliers’ account via the GTN platform arriving five days after PUMA’s invoice approval
- PVFP fee linked to the PUMA SAFE rating; available for all vendors with a SAFE rating of B- or better
- Interested vendors have to sign up with GTN and the Funding Partner

* Vendors have to decide with invoicing (3), if they want to make use of an Early Payment or not

** Funding partners are assigned country-by-country on Suppliers’ invoicing entity level; HSBC to join later.
... creates sustainable Incentives

### PVFP FEES

<table>
<thead>
<tr>
<th>SAFE® rating</th>
<th>Reference interest rate</th>
<th>Bank fee</th>
<th>GTN fee [per invoice]</th>
<th>SAFE bonus / malus (p.a.)</th>
<th>All-in fee (p.a.) for 60 days PVFP</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>3-month USD LIBOR adjusted quarterly</td>
<td>Bank-individual margins depending on PUMA’s solvency</td>
<td>Additional fee for GTN processing fund- ding re- quest &amp; related payments</td>
<td>/ 0.50%</td>
<td></td>
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<tr>
<td>B+</td>
<td>0.00%</td>
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<td>B-</td>
<td>+ 0.50%</td>
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- Bank fee dependent on country of supplier’s invoicing entity and funding partner
- SAFE bonus / malus depending on SAFE rating of the supplier (if ratings of one supplier differ between factories, worst one counts) adjusted end of Q1 / Q3
- PVFP fee deducted from early payment amount

### PFVP BENEFITS FOR SUPPLIERS

- Worldwide availability
- No bank credit line needed, no commitment fee (no costs if PVFP is not used)
- Competitive rates as suppliers benefit from PUMA’s good solvency and ratings
- Decrease supplier’s accounts receivables
- Working capital improvement (non-recourse financing)
- Suppliers benefit from their work & investments in environmental and social compliance
Ball Planet was one of the first suppliers to join the program. Clear background was access to affordable financing which is always a challenge for SME’s, but it goes beyond as Ken Hong, General Manager of Ball Planet Industrial Ltd., said: "This innovative program will not only help us improve our cash flow, but will also provide us with a financial incentive to improve our environmental, health and safety and social standards, which will ultimately reduce our operating costs and enhance our performance."