

## Highly Commended Winner

### Best Sustainable Treasury Solution

## Metso

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## Metso

Helsinki-based Metso provides technologies and services for the aggregates, minerals processing and metal refining industries.

### Finland's Metso supports Turkish suppliers with sustainable SCF solution

#### The challenge

Metso has made sustainability one of its strategic priorities and prioritises partnering with suppliers that embrace the same sustainability values. The company has also made tangible efforts to address its overall impact on the environment by adopting science-based targets with a view to reducing CO<sub>2</sub> emissions throughout its supply chain, thereby effectively reducing its own Scope 3 emissions. Metso asks its suppliers, which range from small manufacturing companies to multinationals, to set CO<sub>2</sub> emission reduction targets. In a pilot initiative, Metso worked with Citi and the EBRD to come up with a solution that incentivises suppliers to reduce emissions amongst 33 key Turkish suppliers.

#### The solution

Metso already has an existing supply chain finance programme with Citi. In this new solution, Citi and the company partnered with the EBRD in a novel sustainability-linked supply chain finance programme. This programme offers a combination of potential reductions in the cost of finance and technical support for suppliers that reduce their emissions. The programme is administered by Citi and co-designed by Citi and EBRD.

The EBRD offers grant proceeds from its Turkey-EBRD Cooperation Fund (funded by the Turkish Ministry of Treasury and Finance) as financial incentives to suppliers that meet tangible and verifiable emission reduction KPIs. In addition to mobilising donor funding for suppliers that meet sustainability-linked KPIs, the EBRD also mobilises technical assistance to suppliers under its Advice for Small Businesses (ASB) programme. This support comprises two phases, made up of an energy efficiency audit and the development of an 'Energy Efficiency Investment Plan'. This plan includes the identification, analysis and assessment of energy efficiency optimisation opportunities and investment needs for its execution.

The solution includes local consultants carrying out monitoring, reporting and verification activities to assess suppliers' performance on KPIs that could make them eligible for reductions in their cost of finance. Advisory support is undertaken on a cost-share basis to ensure buy-in from suppliers to implement the recommended changes to reduce their respective CO<sub>2</sub> emissions profiles. If a supplier meets agreed ESG targets, then EBRD gives them additional direct incentives.

If suppliers successfully set up targets Citi will provide an incentive through a reduction in the cost of supply chain finance. If the supplier then meets their SBTi-linked targets, EBRD will make further incentive payments (supported by donors) to the supplier.

#### Best practice and innovation

The solution is an innovative way to align incentives for improving performance, and an interesting way for private sector companies and multilateral institutions to partner up to improve performance across supply chains.

In 2020, Citi launched a new Sustainable Progress Strategy with the ambition to become the world's leading bank in driving the transition to a low-carbon economy. Likewise, with a view to accelerating decarbonisation in its regions of operations, the EBRD launched its Green Economy Transition Approach (2021-2025) by which it has aligned all its activities with the goals of the Paris Agreement (since end of 2022) and aims to ensure that at least half of its investment volumes are green by 2025.

As part of the project, Citi and EBRD will act as a contingent financing provider and assist Metso and its suppliers in achieving their sustainability targets by incentivising the suppliers with target-linked pricing models. Citi's supply chain finance programme offers global reach, consistency of funding and the ability to deliver scale globally with strong risk syndication and distribution capabilities.

Additionally, by leveraging its ASB offer (operating on a cost-share basis to ensure supplier buy-in for the support they receive), the EBRD will work with Metso and its suppliers to further strengthen their commitment to sustainability and achieve the SBTi's targets.

#### Key benefits

- Cost savings.
- Process efficiencies.
- Improved visibility.
- Increased system connectivity.
- Future-proof solution.
- Exceptional implementation (budget/time).

Citi launched their first ESG-linked sustainable supply chain finance partnership with EBRD in the market alongside Metso. Citi and EBRD act as a contingent financing provider for this innovative structure. The incorporation of the sustainability parameters has enabled Metso to incentivise compliant suppliers delivering sustainable goals across their value chain. EBRD will work with Metso and its suppliers to further strengthen their commitment to ESG. This innovative solution aligns sustainable supply chain finance incentives and enables private sector and multilateral collaboration to enhance supply chain performance. We are delighted to support Metso for this landmark deal.

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in partnership with 