



# Supplier Finance

## Buyers guide

### What is it?

Supplier Finance also known as Supplier Payments, is a working capital solution designed for businesses with a turnover above £50m.

It gives you greater flexibility when negotiating payment terms with your suppliers by allowing you to offer early payment (up to a maximum of 180 days) without the need to draw on your cash reserves or overdraft facility.

Supplier Finance is delivered via a web-based platform allowing you to keep track of your invoices quickly and easily.

### How it works

The following table illustrates the process for paying an invoice once you and your supplier are set up on the Supplier Finance platform and have agreed terms:

Step 1	Your supplier delivers the agreed goods or service and sends you the invoice.
Step 2	You receive, check and approve the invoice and upload it to the Supplier Finance platform.
Step 3	We (Santander) confirm receipt of the approved invoice to your supplier.
Step 4	Your supplier requests payment from us, either early or on the invoice maturity date.
Step 5	We make payment to your supplier in accordance with their request.
Step 6	We claim repayment from you on the invoice maturity date.

There are no restrictions on the size of facility limit we're able to offer you, your application is assessed based on your individual needs and circumstances. There are also no value or volume limits for invoices paid to your suppliers via the Supplier Finance programme.

### Benefits to you

Supplier Finance enables you to make early payments to your suppliers which:

- allows you to hold onto your cash for longer, creating a positive working capital position.
- strengthens your ability to negotiate trade discounts with your suppliers.
- strengthens the relationship with your supplier by being seen as a good customer.

### Considerations

- There is a cost to you and potentially your supplier for providing the programme (see 'What does it cost?' below).
- If your suppliers take advantage of early payment, you are committed to paying us upon the invoice maturity date.
- Your suppliers may not be willing to participate in the programme.
- You'll need to be able to access the Supplier Finance platform and upload invoices.
- You will be required to provide security to cover the agreed facility.

### What does it cost?

There are two cost elements to Supplier Finance:

#### Arrangement fee

You will be charged this once the Supplier Finance programme has been agreed and set up. The amount of fee is based on your agreed facility size, company structure (entities), number of suppliers you choose to include and the expected volume of transactions.

## Interest (discount fee)

This is charged on the invoice maturity date of each invoice, but only where your supplier chooses to receive their payment early. The amount of interest charged is based on your internal credit rating at Santander and is calculated over the term of the early payment period (up to agreed term limit). This can be paid by your supplier (Standard model) or by you (Gross Up model).

Standard model – your supplier pays 100% of the interest cost.

Gross Up model - you have the option to share the interest cost with your supplier (up to 100%).

All Interest will include appropriate LIBOR rates linked to the term of the early payment period (e.g. 3, 6 or 9 month rates).

Interest calculation example:

Based on your supplier requesting early payment of a 90 day invoice for £20,000 on day 10. The calculation assumes a 3 month LIBOR rate of 0.91% and a 3% interest charge. This interest calculation example is an indication only based on the LIBOR assumption set out above which may be subject to change.

	Standard model	Gross Up model (50/50 split)
Full invoice amount (due day 90)	£20,000	£20,000
Amount we pay early to your supplier (day 10)	£19,828.60	£19,914.30
Amount we collect from you at maturity (day 90)	£20,000	£20,085.70
Total interest cost	£171.40	£171.40

## What if I no longer want/need the programme?

There's no exit cost if you decide you no longer want or need the programme – we just ask that you provide us with 30 days' notice in writing, at which point no more invoices will be processed through the platform. The final closing date will be dependent on the latest maturity date of any invoices we have committed to pay on your behalf.

## Next steps

If you'd like to know more about Supplier Finance:

- Speak to your Relationship Director and/or our dedicated Supplier Finance Product team to discuss your specific requirements and how Supplier Finance can support you.
- Refer to the associated Supplier Guide to start discussions with your suppliers about the benefits to them of using Supplier Finance.