

Sustainable Procurement with SAP Ariba & SAP Sustainability

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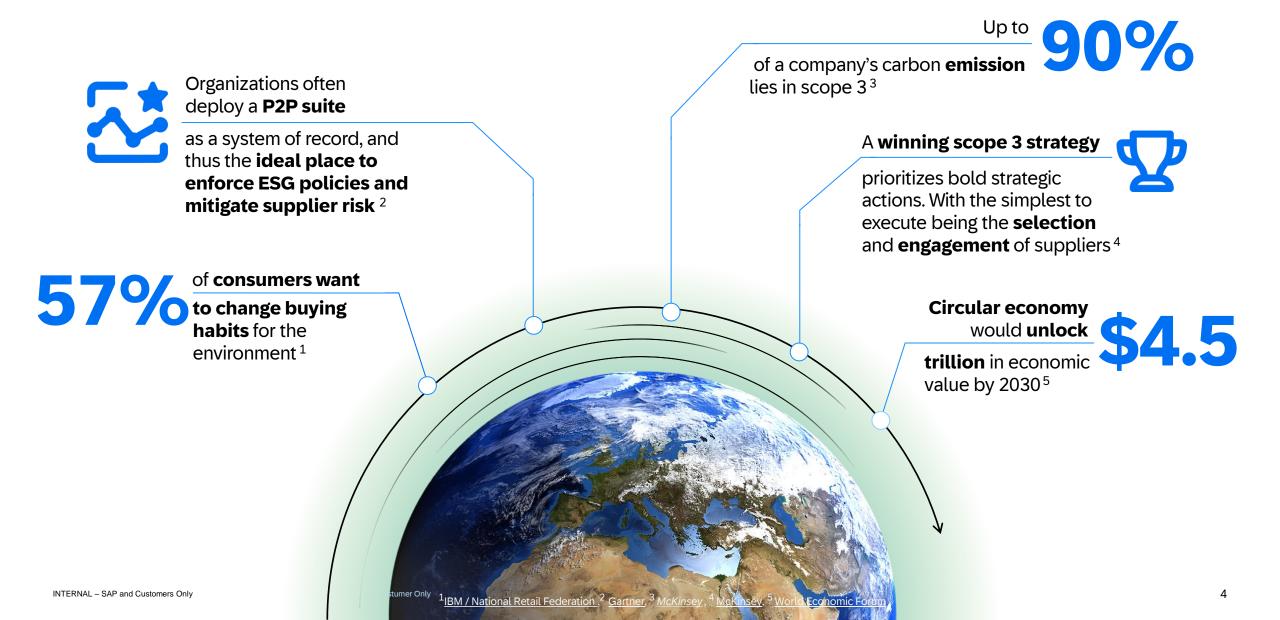
Sustainability is

Everywhere

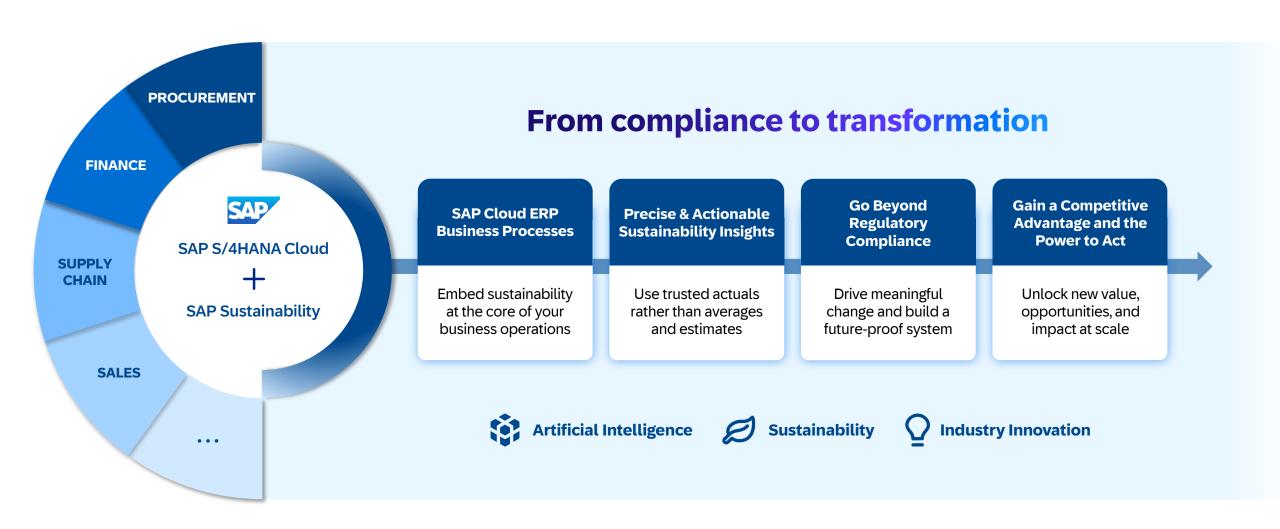
Procurement Finance Supply Sales Human Design & Chain Sales Resources Operations

Cloud ERP is core to sustainability management, and no future-oriented business transformation is complete without sustainability.

Sustainable Procurement Business Value



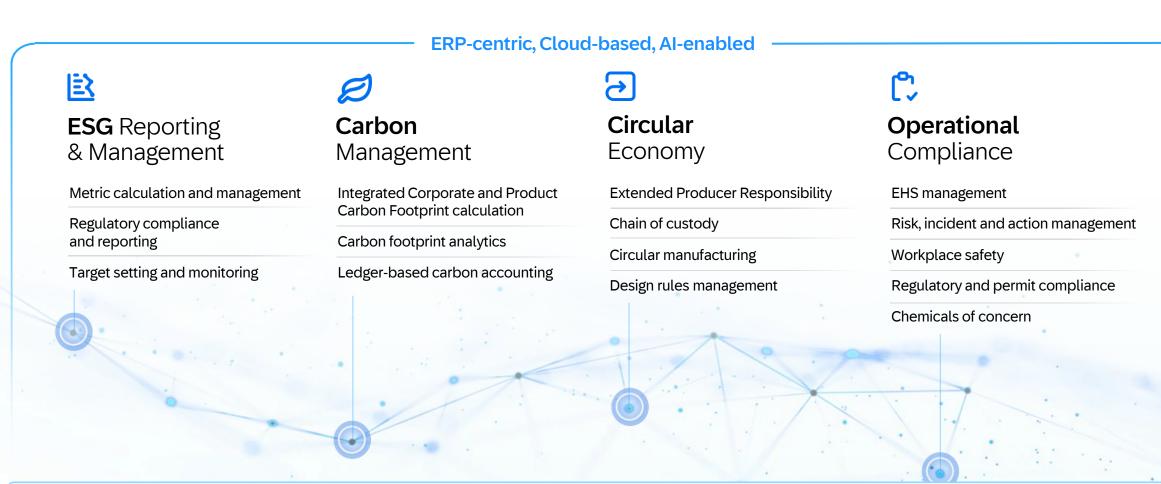
SAP's unique Cloud ERP-centric approach to sustainability



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SAP Sustainability Solutions | Key Capabilities

Connected capabilities to drive ESG Reporting, Climate Action, Circular Economy and Social Responsibility



Foundational capabilities

Data integrations

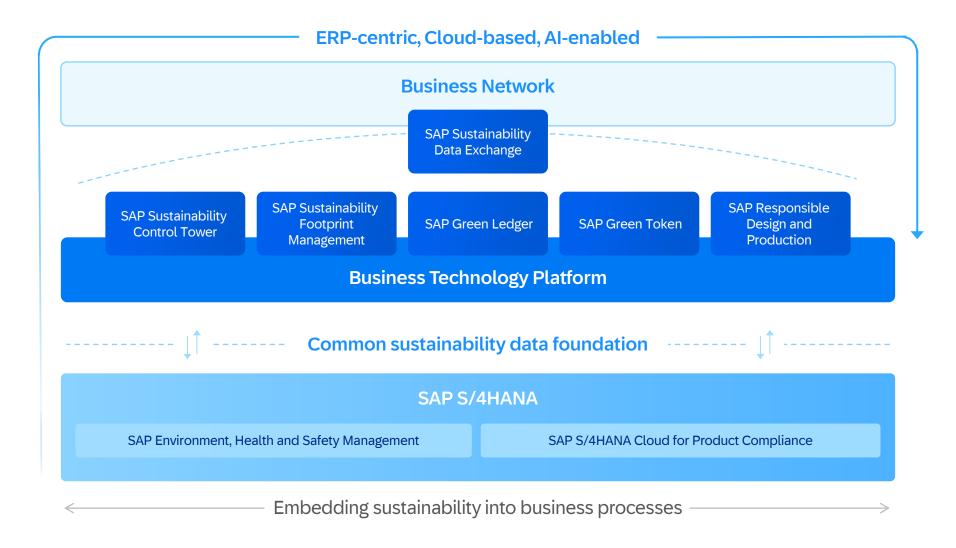
Common sustainability data foundation

Supply chain data exchange

Auditable data management

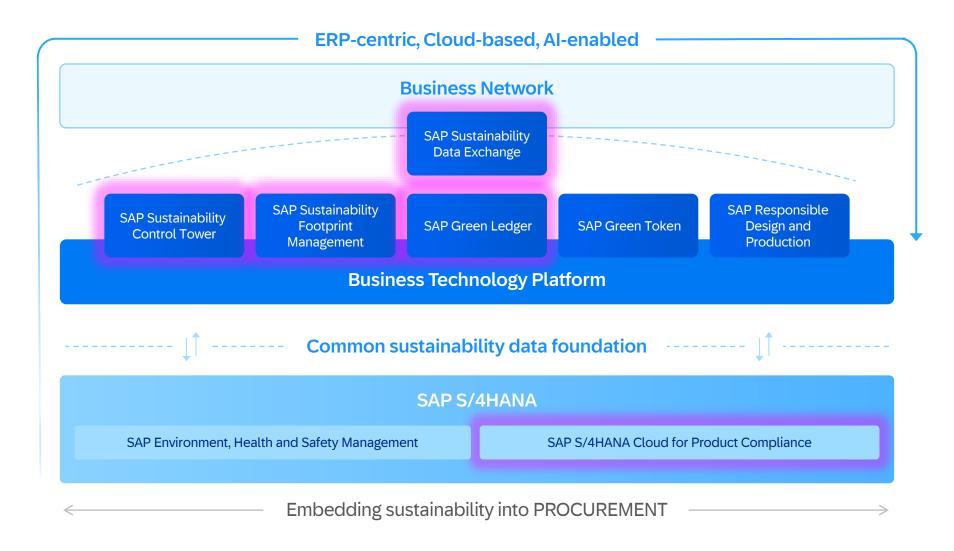
SAP Sustainability Solutions | Portfolio

Modular suite of SaaS solutions



SAP Sustainability Solutions | PROCUREMENT Touchpoints

Modular suite of SaaS solutions



ZERO EMISSIONS WITH CLIMATE ACTION
ZERO INEQUALITY WITH SOCIAL RESPONSIBILITY
ZERO WASTE WITH CIRCULAR ECONOMY

Record » Report » Act

Sustainable Procurement considers environmental, social, governance and economic factors when managing suppliers and procuring goods and services. Sustainability becomes a new data dimension across end-to-end procurement processes and decision making.





Increasing Pressure to meet Sustainability Compliance Standards – in Procurement!



Supply Chain Regulations

- Understand current and emerging regulatory frameworks and requirements that affect procurement and supply chains
- Integrate mandates seamlessly into organizational strategies and operations
- Risk of non-compliance



Partner and Consumer

- Uphold robust sustainability standards
- Need for transparency and demonstrable actions
- Failure can lead to potential loss of partnerships and market share



Organizational

- Comprehensive buy-in and alignment across all levels and cross functions within an organization
- Meet and exceed ESG goals via a commercially viable path



Which compulsory regulations and voluntary agreements are relevant to the companies industry, geographical location, size – and to the supply chain etc.?

How can resources and responsibilities be allocated?

How can sustainability and regulatory requirements be integrated into core business operations?

How can sustainability initiatives beyond meeting regulatory requirements enhance brand reputation, attract new customers and foster strategic partnerships?

Sustainability compliance refers to adhering to laws, regulations, and voluntary guidelines that support environmental, social, and economic sustainability. It requires companies to align their business practices with legal obligations and ethical standards, ensuring they contribute to environmental protection and social responsibility. Many sustainability regulations require supply chain due diligence, hence, becoming a procurement topic.

Procure with purpose through robust human rights due diligence

The human rights regulatory landscape is changing fast. More than 15 countries have introduced, or are considering, regulations on human rights and social responsibility, with the EU expected to advance rigorous human rights legislation soon.

As regulation increases in scope and enforcement, you need a structured approach for identifying, mitigating, remediating, and disclosing adverse human rights impacts across your operations, supply chains, and relationships.



Zero

emissions with climate action

Zero

inequality with social responsibility

Zero

waste with a circular economy

A framework for human rights due diligence¹







By understanding which of your direct and indirect suppliers protect both people and the planet, you can:

- Support local communities, promote workplace and supplybase diversity, and use your influence to protect human rights across the supply chain
- Improve the societal, economic, and environmental impact of your business and the organizations and communities you touch
- Gain supply chain transparency and traceability to help ensure decent work, reduce inequality, and comply with human rights due diligence regulations

Learn how <u>spend management solutions</u> <u>from SAP</u> can help you achieve your sustainable procurement goals.



Sustainable Procurement at SAP Ariba | Delivery Overview

	Source and Contract	
0	Supplier risk (incl. sustainability) in Guided Sourcing	Q2 '23
	- Carbon footprint data collection in Sourcing (Direct Material Sourcing & Guided Sourcing)	Q3 '23& Q2' 24
O -	Carbon footprint data in quote and sustainable bid comparison scenario in S/4 Product Sourcing	Q3 '23
l	SFM* & S/4 Product Sourcing integration	Q1 '24
Ø	Supplier certifications and process status in Guided Sourcing	Q4 '23

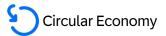
	Buy and Deliver	
	Carbon footprint* in S/4 PR, PO MyInbox Approval, Source of Supply determination & Analytics	Q2 '21- Q3 '24
	Integrated product compliance** checks in S/4 operational, direct material procurement	Q3 '21& Q3'22
	Diverse suppliers in non-catalog GB purchasing process & extension to catalog items	Q2 '22& Q1' 23
8	Supplier risk (incl. sustainability) in Guided Buying	Q2 '23
	Carbon footprint in Ariba Buying360 (DitchCarbon)	Q1 '24

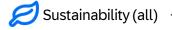
Spend & Supplier Management

	Enriching diversity data in supplier management: Tealbook & Supplier.io		
	Collaborative Social Responsibility Due Diligence for LkSG on Ariba Risk and Business Network	Q1 & Q2 '23	
	EcoVadis & DitchCarbon integration & further data collection via custom fields in Ariba Risk, API-based approach - custom extensions	Q4 '22&Q1 '24	
8	Supplier marketing profile (SBN) access within Supplier360 overview	Q2 '23	
	Custom risk categories & country risk score (e.g. for EUDR or LkSG)	Q3 '24	
	Carbon Dashboard in SAP Spend Control Tower	Q4 '24	









Data-driven decarbonization strategy | Carbon data flows in Procurement

Record | Report | Act & Moving from averages to actuals

Sourcing

Primary CO2 data* collection from supplier & sustainability-aware awarding

Procure to Pay

CO2 data **consumption** for more sustainable procurement decisions

SAP Spend Control Tower

Report on CO2 emissions and identify emission hot spots

SAP Ariba Category Management

Data-driven decarbonization strategy, goal and initiatives





SAP Sustainability Footprint Management

Sustainability (today: carbon) data management, incl. CO2 data storage and source management, CO2 data calculation with transportation emissions, carbon data reporting (for scope 1, 2, 3 carbon emissions)



SAP Sustainability Control Tower

Holistic **steering** and **reporting** for sustainability

Regulatory compliance for sustainability legislations

3rd Party Partner Data

Emission factor service from LCA databases (EcoInvent, CarbonMinds, Exiobase...)



SAP Sustainability Data Exchange

Ad-hoc exchange of **primary** CO2 data*, supported by the SAP Business Network

SAP Green Ledger

Carbon data accounting in the same auditable quality as financial data

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Demo: Sustainable Procurement

SAP Ariba & SAP Sustainability

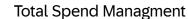
Thank you.

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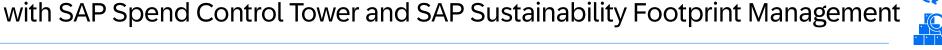
Data-driven decarbonization



CPO, Category Manager

SAP Spend Control Tower 2408, SAP Sustainability Footprint

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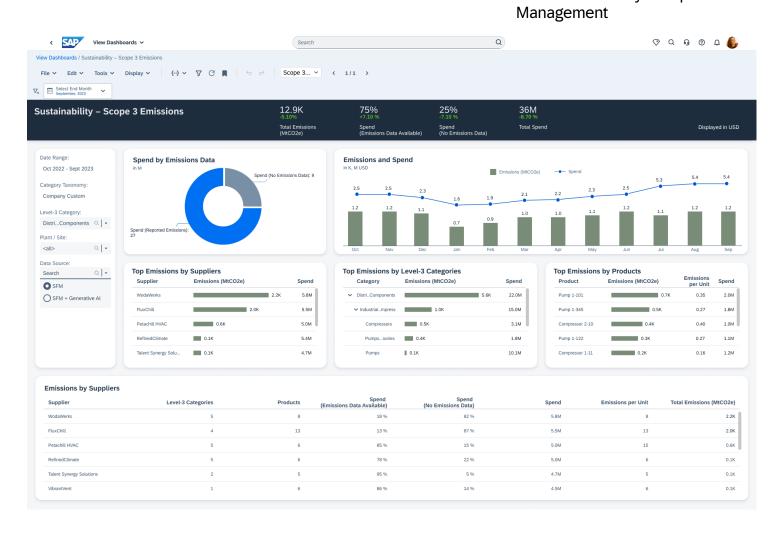


Making real progress on sustainability requires real data at the right places. Regulations and pressure from investors, shareholders, and consumers are driving companies to account for their greenhouse gas emissions. Especially emissions occurring in a company's supply chain, called Scope 3 emissions, represent up to 90% of a company's total carbon carbon emissions. Hence, deeming procurement professionals as the biggest lever in decarbonization with objective "keep spend and carbon emissions under control".

SAP Spend Control Tower provides a standard integration to SAP Sustainability Footprint Management for calculated, verified carbon emissions next to a full enterprise spend overview. This helps identifying emission hotspots and enables the global category manager to find potential decarbonization products and categories – paving the path for deriving a data-driven decarbonization strategy.

- Get transparency on spend and Scope 3 carbon hotspots and pinpoint potential areas for decarbonization
- Get analytically-founded guidance to define a data-driven decarbonization strategy and achieve carbon reduction goals

Roadmap: link, help.sap.com documentation



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Report on Diverse Supplier's Spend using SAP Spend Control Tower – Enrichment Services



CPO, Category Manager



Total Spend Managment



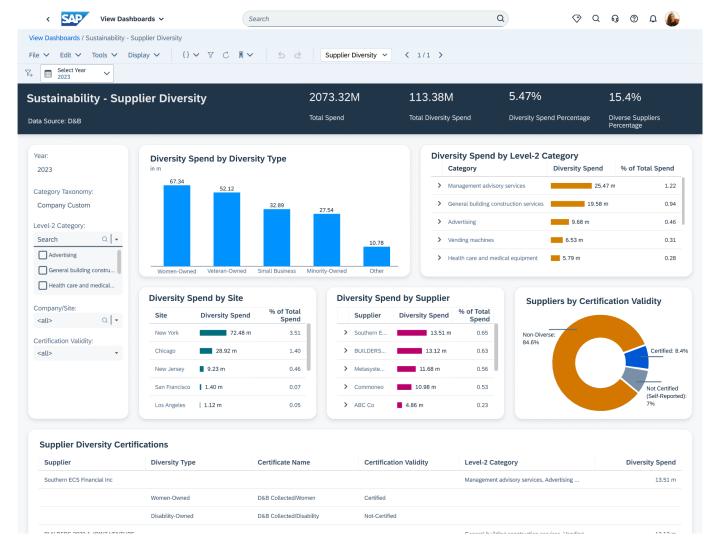
SAP Spend Control Tower 2408, optional: enrichment service of customer's choice

Sustainable procurement is a holistic concept encompassing climate action with carbon insights, but also social sustainability topics such as supplier diversity, moving forward on a world with zero inequality. Examples for supplier diversity could be small businesses or veteranowned businesses.

SAP Spend Control Tower provides a service for enriching spend data with supplier diversity insights – based on the enrichment-service of customer's choice.

This helps procurement analysis and category managers to get insights into current spend with diverse suppliers as well as enabling a targeted, data-driven social procurement goals and strategy.

- Get transparency on supplier diversity across spend, region and categories.
- Get analytically-founded guidance to define a data-driven procurement strategy and achieve social and ESG goals
- Roadmap: <u>link</u>, help.sap.com <u>documentation</u>



Request & Compare carbon footprint data from suppliers in Direct Material Sourcing



Purchaser, Sourcing Agent



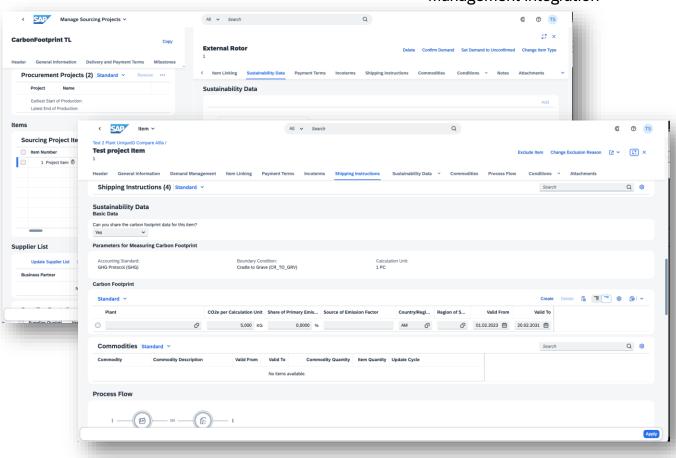
Source to Contract



SAP Ariba for Direct Material Sourcing for Automotive & Industrial Manufacturing Industry Q3 '23, SAP S/4HANA 2402* SAP Sustainability Footprint Management Integration

Collecting carbon footprint and measurement-related data from suppliers for bid comparison and awarding enables the strategic purchaser the ability to identify more sustainable suppliers. Selecting sustainable suppliers during sourcing — especially for direct materials — enables commitments to be documented in legal contracts and further guide sustainable operational purchasing aligned with the sustainability strategy of an organization. Integration with SFM provides the ability to track product footprints from Buyer's inbound gate through internal operations.

- Request suppliers to provide CO2e amount(s) per item in product sourcing event
- Enable strategic purchasers to award business based on CO2e footprint data
- Enable consideration of sustainability-related criteria in strategic procurement
- Reduced effort for strategic purchaser in selecting sustainable suppliers
- Provide transparency about sustainability impact to help reach company's overall sustainability goals
- Roadmap: <u>Collect</u>, <u>Compare</u>, help.sap.com <u>documentation</u>



^{*}Additional license required: SAP Product Sustainability Management (8011422)

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Request Carbon Footprint Emissions from Suppliers in Guided Sourcing



Purchaser, Sourcing Agent



Source to Contract

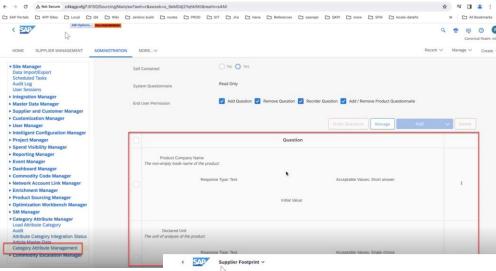


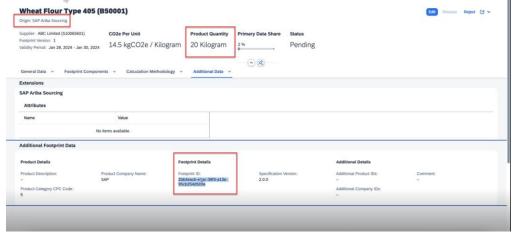
SAP Ariba Guided Sourcing 2405*, SAP Sustainability Footprint Management Integration

Collect and compare carbon footprint and measurement-related data following the PACT V2 standard from suppliers to identify more sustainable suppliers. Selecting sustainable suppliers during guided sourcing enables commitments to be documented in legal contracts and further guide sustainable purchasing aligned with the sustainability strategy of an organization. Integration with SFM provides the ability to track product footprints from Buyer's inbound gate through internal operations.

- Offer suppliers to provide CO2e amount(s) per item in guided sourcing RFP event
- Enable strategic purchasers to award business based on CO2e footprint data

- Enable consideration of sustainability-related criteria in strategic procurement
- Reduced effort for strategic purchaser in selecting sustainable suppliers
- Provide transparency about sustainability impact to help reach company's overall sustainability goals
- Roadmap: Collect, Compare (2502), help.sap.com documentation





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Sourcing Agent



Source to Contract



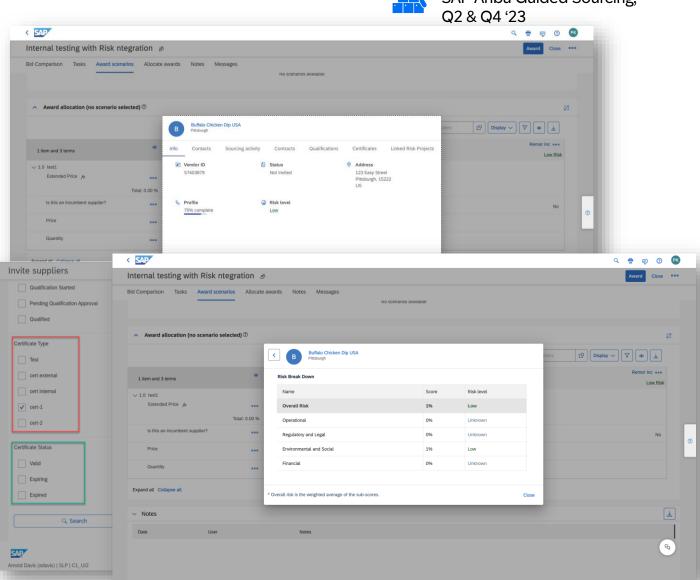
SAP Ariba Guided Sourcing, Q2 & Q4 '23



Keeping environmental & social risk under control is crucial for companies today. Sourcing Agents need to see supplier certifications and risk scores (including sustainability risk) when inviting suppliers to participate in sourcing events, so that they can make the best possible decisions about who to invite and how to treat the engagement.

- View and search for supplier based on risk information in sourcing
- Environmental & social risk included in supplier card
- Added supplier risk information in the supplier table and detail during event monitor page (in all event statuses)
- Supplier diversity, environmental ISO certificates in guided sourcing event during supplier selection

- Risk-aware and company compliant sourcing decisions
- 360 degree transparency about supplier risk through supplier selection process
- Minimize environmental & social risks in sourcing
- help.sap.com documentation



Operational Purchasing with Embedded CO2e Footprint



Operational Purchaser



Procure to Order



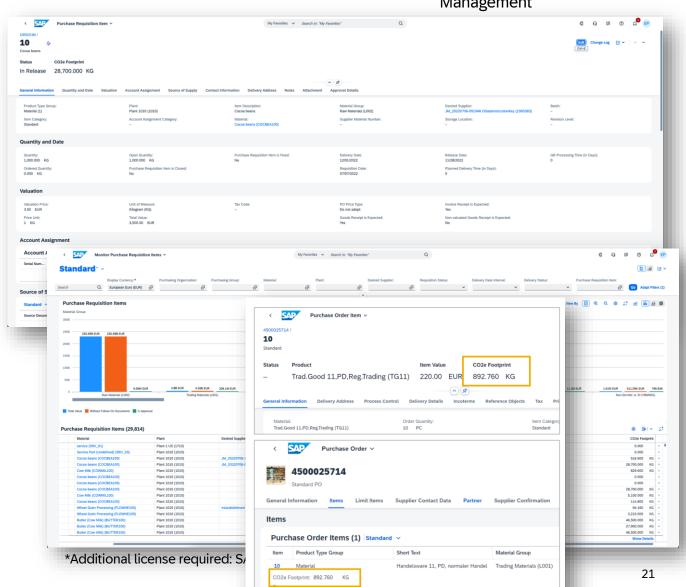
SAP S/4HANA Cloud 2105-2402*, SAP Sustainability Footprint Management

Today, sustainability is one of the key strategic parameters for companies, and Procurement is a major contributor to a firm's sustainability performance. Selecting materials and allocating sources of supply in purchasing requests historically depended only on basic procurement-specific information.

By including sustainability-related information (e.g., Carbon data) in the operational process to include in buyers' decision-making adds strategic 'green-line' value and helps deliver on the organization's overall goals.

Approach:

- Display CO2e in Purchase Requisition and Purchase Order items and Monitor applications.
- Include option to create approval workflow based on CO2e footprint (My Inbox)
- Enable the consideration of sustainability-related criteria in operational procurement
- Provide strategic purchaser oversight through approval workflow using CO2e data
- Provide transparency about sustainability impact to help reach company's overall sustainability goals and being able to make more sustainable decisions
- Roadmap: <u>Cloud</u>, <u>OP</u>, <u>Help</u>, help.sap.com documentation



Carbon Footprint in Source of Supply Allocation



Operational Purchaser



Procure to Order

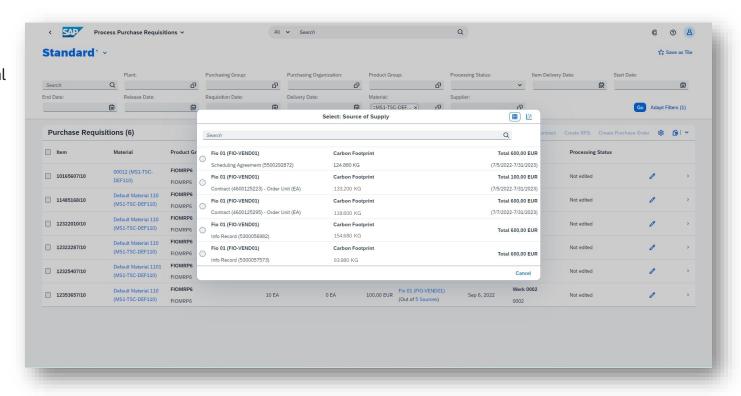


SAP S/4HANA Cloud 2302*, SAP Sustainability Footprint Management

Allocating sources of supply to PRs is currently merely supported by providing price-related information. Sustainability is one of the key strategic parameters for companies and procurement has a major impact on a firm's sustainability performance. Hence, including sustainability-related information (e.g., Carbon data) in the operational process to support buyers to assign the most sustainable sources of supply adds a lot of value on end-user side.

- Decision support for operational purchaser to identify sustainable sources of supply
- Include sustainability consistently throughout the operational procurement process

- Consider sustainability-related dimension
- Transparency about sustainability impact
- Reduce effort for purchase in selecting sustainable suppliers
- Roadmap: <u>Help</u>, <u>Req Processing</u>, help.sap.com documentation



Integrated Compliance Checks for Procurement



Operational Purchaser



Procure to Order

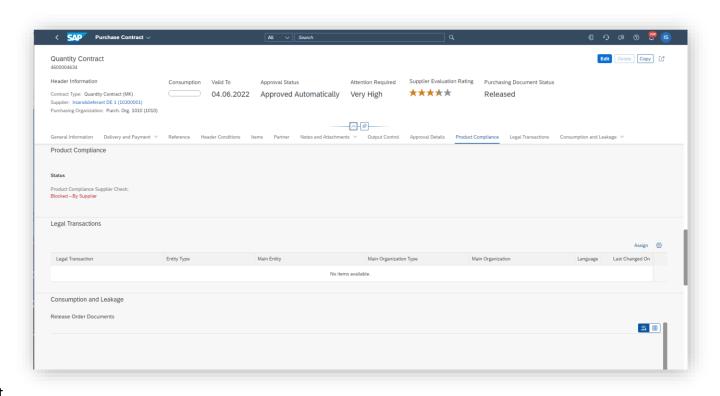


SAP S/4HANA Cloud 2108* & 2208*, SAP S/4HANA for Product Compliance

The integration of product compliance checks into purchasing processes and contracts ensures a thorough review of all items. This process includes checking for supplier conformity and regulatory standards including those for potentially hazardous goods.

- Supplier verification for all items in purchase orders, operational contracts, scheduling agreements and info records
- Blocking of non-compliant items or potentially hazardous goods
- Fields for 'Product Compliance Supplier Check Status' and
 'Dangerous Goods Status' for issue identification and resolution
- Link: help.sap.com & help.sap.com & help.sap.com

- Ensures procurement integrity by only allowing compliant products and suppliers
- Mitigates risk and potential liabilities associated with non-compliant or hazardous goods
- Streamlines issue identification and resolution process, increasing overall business efficiency
- help.sap.com documentation



Operational Purchaser



Procure to Order

S/

SAP S/4HANA Cloud 2111* & 2208*, 2408*, SAP Sustainability Footprint Management

Provides real-time insights into carbon footprint values for requested products and related purchase requisition amounts across various dimensions, such as by product, product category, plant and as list view.

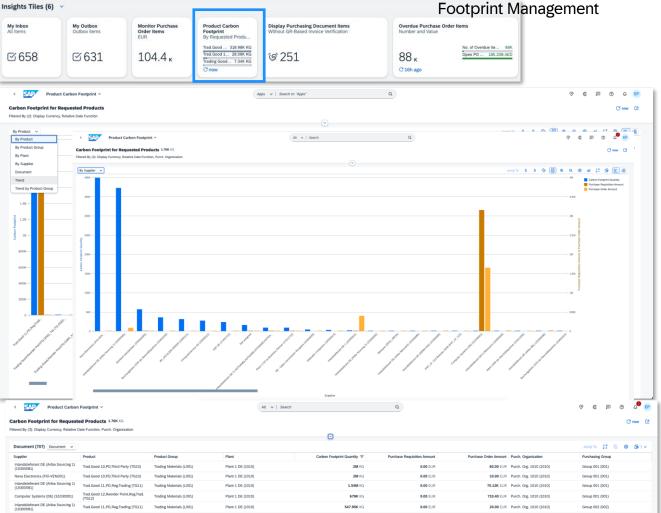
Embedded Analytics for Product Carbon Footprint

Capabilities

Compare carbon footprint across products, plants, suppliers and Purchase Order / Purchase Requisition amount.

- · Review carbon footprint trend line
- Insight into relevance and significance of the product by seeing the related purchase requisition and purchase order amount of this product

- Support sustainability goals for reducing carbon footprint
- Increase transparency into carbon footprint for products for which purchase requisitions were created
- Roadmap: <u>PR (Cloud)</u>, <u>PR (OP)</u>, <u>Analytics</u>, <u>Requested Products</u>, <u>Help</u>, <u>Help</u>, help.sap.com documentation



Supplier Manager / Casual Buyer



Procure to Order



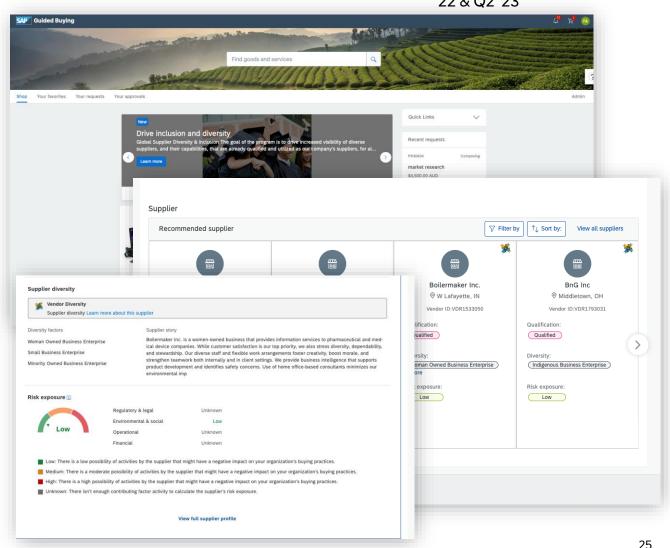
SAP Supplier Lifecycle Management Q2 '21 SAP Ariba Guided Buying Q2 '22 & Q2 '23

Responsible, sustainainability-aware Buying

Today, companies need to avoid environmental & social risk in purchasing decisions to be compliant with company policies and to avoid negative sustainability impacts. At the same time, they are increasingly interested in procurement with purpose initiatives, to increase spend with sustainable suppliers.

The supplier manager can classify suppliers and the casual buyer can search and select items from sustainable suppliers, while avoiding suppliers with associated ESG risk.

- Support flexible, customer-verified diversity tags for localized categorization of suppliers & add company's diversity program in **Guided Buying**
- Review supplier risk while searching for suppliers and enable purchasers to halt the purchase process in case there is no risk information, so that users cannot unknowingly choose a supplier with too much risk
- Support sustainability goals for supplier diversity, e.g. increasing the spend of diverse suppliers
- Promoting sustainable purchasing within own company
- Risk-aware and company compliant purchasing decisions
- help.sap.com documentation



Requestor



Procure to Order



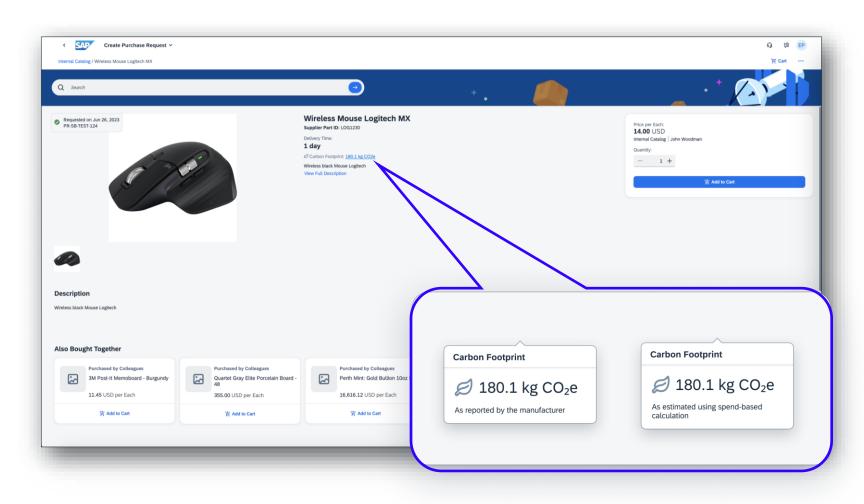
SAP Ariba Buying, Base Edition, Q1 2024, DitchCarbon (Partner extension)*

Carbon Footprint in Buying360

Buying 360 capability will display product carbon footprint data in search results page and product details so that end-users have the additional data point to consider when choosing between items that match what they are looking for.

 The end-user can consider carbon footprint as a factor in addition to other elements like price, supplier, specifications, etc.

- Visibility of environmental impact when making purchases and initiating supplier engagements helps businesses and their staff make informed purchasing decisions and reduce emissions.
- Roadmap: <u>DitchCarbon Integration</u>, <u>Help</u>, help.sap.com documentation



Mobile Technology, Sustainability, and More



Requestor



Procure to Order



SAP Ariba Buying

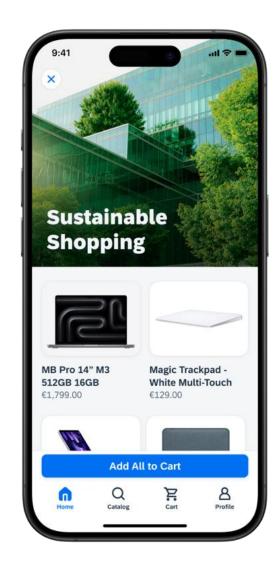
Leverage latest technology,

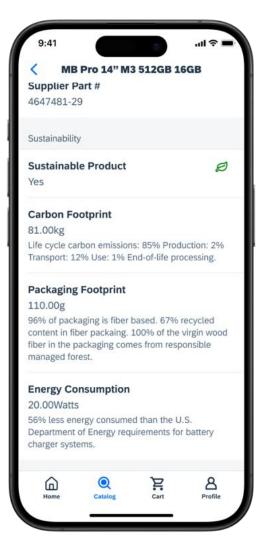
- MDM support
- Security measures such as signing in with Face ID/Touch ID
- SSO with certificate based authentication

Help Employees make sustainable/eco-friendly choices when searching for items,

 carbon footprint, packaging, and energy consumption details displayed for catalog items

- Users can take sustainability parameters into consideration before making a product purchase
- Better Security via SAP BTP
- help.sap.com documentation





Supply Chain Due Diligence & Findings Management



Supplier Manager & Risk Expert



Risk Management



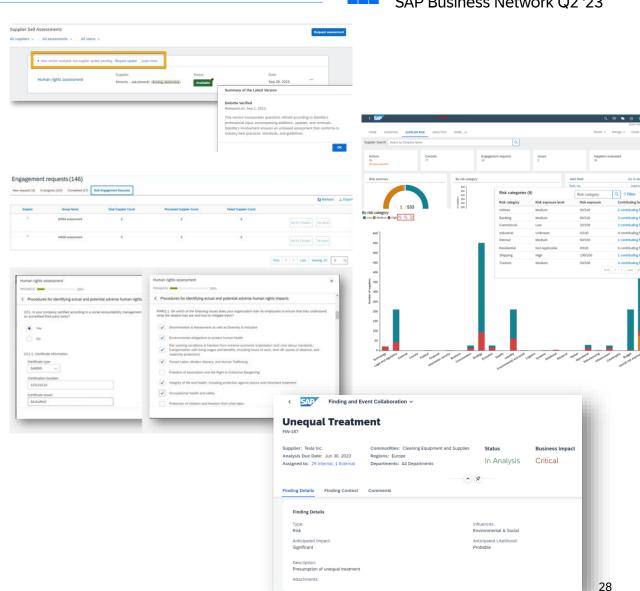
SAP Ariba Supplier Risk Q1 '23, SAP Business Network Q2 '23

Increasingly, governments around the world require conducting due diligence in Supply Chains and documenting compliance in accordance with social and environmental sustainability regulations.

The SAP Ariba Supplier Risk solution helps to simplify the supplier due diligence process, provide actionable insights into high-risk suppliers, and use focused risk alerts and third-party risk assessments to evaluate and mitigate risk exposure.

Findings management provides an industry best practice workflow for buyers, suppliers and business partners to collaborate. Delivering reportable, auditable management of due diligence not only to demonstrate environmental and social responsibility, but to improve sustainability performance.

- Developed to support the German Supply Chain Act (Lieferkettensorgfaltspflichtengesetz LkSG)
- Flexible enough to adapt to additional sustainability requirements outlined in existing and anticipated regulations such as Uyghur Forced Labor Act, Battery Passport, or CSDDD.
- Achieve compliance as required by the German Supply Chain Act and similar regulations on Corporate Due Diligence Obligations in Supply Chains.
- Drive due diligence across sustainability dimensions
- Investigate claims from whistle blower related violations
- Workflow for multi-party collaboration & reporting
- help.sap.com documentation



Custom Risk Categories



Supplier Manager & Risk Expert



Risk Management



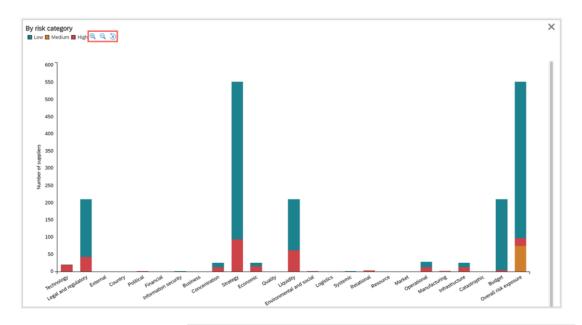
SAP Ariba Supplier Risk Q3 '24

To achieve more flexibility and expand insights into suppliers' risk exposure the risk categories of SAP Ariba Supplier Risk are now customizable and can be expanded to include up to 25 custom risk categories. With this change, it is possible to focus more on sustainability risk issues and integrate sustainability goals in more detail.

On the supplier profile, the risk exposure tab shows the User the risk categories, risk exposure level, risk exposure in numbers and contributing factors. Through a click on the contributing factors, the user will get a clear overview of the number of contributing factors of each active risk category.

The categories can be mapped to input data from various channels and be used for overall scoring. Also, the risk administrator can assign each risk category a specific weight for the overall risk exposure and define lowest and highest risk threshold.

- Flexible and individual definition of risk categories, e.g. meet the requirements of LkSG reporting by adding dedicated 13 risk categories or define an EUDR risk category
- Possibility to set focus on sustainability compliance and overall compliance topics
- More detailed supplier risk exposure
- help.sap.com documentation



Risk categories	(0)	Risk category	Q	
Risk category	Risk exposure level	Risk exposure	Contributing factors	
Airlines	Medium	50/100	2 contributing factors	
Banking	Medium	50/100	3 contributing factors	
Commercial	Low	20/100	2 contributing factors	
Industrial	Unknown	0/100	0 contributing factors	
Internal	Medium	50/100	1 contributing factors	
Residential	Not Applicable	0/100	0 contributing factors	
Shipping	High	100/100	1 contributing factors	
Tourism	Medium	50/100	3 contributing factors	
		Fir	rst 〈 〉 Last Viewing: 1/1	

Country Risk Score



Supplier Manager & Risk Expert



Risk Management



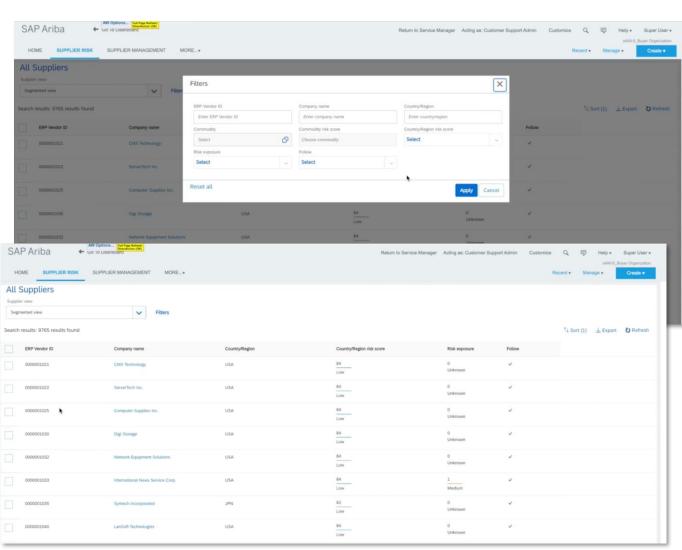
SAP Ariba Supplier Risk Q3 '24

For the enhancement of the flexibility of SAP Ariba Supplier Risk it is now possible to import and use your own source of country risk score information for the configuration of risk exposure of suppliers.

At the moment, the SAP Ariba Supplier Risk uses country risk score data from the World Economic Forum (WEF) as the default source of information. Due to the new feature, it is optional to use country risk score data while configuring risk exposure.

Additionally, users now have the choice between importing own source of country risk score information or using the existing default source.

- More Flexibility when defining country risk score
- Possibility to integrate own information for the country risk score
- LkSG
- help.sap.com documentation



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