Journey to Becoming an Intelligent, Sustainable Enterprise with SAP Business Technology Platform

Bringing Your Sustainability & ESG Conversations to Life.

September 15, 2022 Houston, Texas

Register

(SAP BTP Customer Value Network)

SAP BTP Customer Value Network

A Half-day Event on the Journey to Becoming an Intelligent, Sustainable Enterprise with SAP Cloud for Sustainable Enterprises and SAP Business Technology Platform

September 15, 2022 Hotel ZaZa – Houston Museum District

PUBLIC



A G E N D A : a Collaboration on SAP BTP for Sustainability.



08:30 am Registration | Breakfast | Reception

09:00 am Welcome | SAP Executive Keynote

09:15 am SAP Sustainability Strategy | Best Practices SAP Cloud for Sustainable Enterprises portfolio (including SAP Sustainability Control Tower)

10:00 am Learn How SAP & PwC Helped Customers Achieve Their Climate Targets ESG relies on the critical need for data & single source of truth, beyond reporting alone. Learn how to think of ESG as three, compounded lenses to advance your ESG strategy from reactive to proactive

10:30 am Break

10:45 am A Review of the New Sustainable Operations Insight Dashboards Powered by SAP Analytics Cloud and SAP EHS

11:15 am Customers Round Table – Bringing your sustainability & ESG conversations to life

12:00 pm Wrap-up | Closing Remarks

12:15 pm Networking Lunch | SAP Sustainability Navigator

02:00 pm Follow-up Discussions & Meetings | SAP BTP & ESG

Thursday, September 15, 2022 Houston ZaZa Museum District, Texas



SAP Sustainability Overview

Manage your Green Line like your Top & Bottom-Line

John Martin SAP National Practice Lead – Sustainability NA Solution Advisory Michelle Huang Vice President SAP Global Sustainability Partner Ecosystem for GSSPs

September 15, 2022

Bringing your sustainability & ESG conversations to life.



What we'll talk about ...

WHY: The need to transform as a Sustainable Enterprise with SAP

WHAT: SAP Cloud for Sustainable Enterprises and core capabilities

HOW: Our approach to unlock the Sustainability Transformation

Sustainability is more relevant than ever



Industry Context | Drivers for End-to-End Value Chain Transparency



Ethical Sourcing, Reporting & Sanctions

Demand for commodities are increasing due to the Energy Transition, while geopolitics, sanctions & Regulations require more transparency



Source: The Guardian



Impact of Import Regulations

Global impact of Carbon Border Adjustment Mechanisms, as the first regulation to tax emissions embedded in products



Source: EU Parliament News



Emerging Standards for 'Product' Emissions

New standard is emerging for 'Product' emissions, based on primary data exchange between entities. This will also improve Scope 3 emissions methods







Consumer Demand for Green Products

There is consumer demand for 'green' products, requiring full transparency from start of the chain



TOKYO, May 10 (Reuters) - Japan's biggest steelmaker Nippon Steel Corp (5401.T) plans to supply carbon neutral steel from the fiscal year starting 2024, it said on Tuesday.



chimery of Napon contents, of Napon on Control, May 10 (Reuters) - Japan's biggest steelmaker Nippon Steel Corp (54011) plans to supply carbon neutral steel from the fiscal year starting 2024, intro, China Hestoric, Japan's

Source: Reuters

Global regulations, EPR schemes and plastic taxes continue to increase worldwide



Global Carbon Tax Initiatives are Growing

ETS implemented or scheduled, ETS or carbon tax under cons...

Summary map of national, sub-national and regional carbon pricing initiatives



Carbon tax implemented or scheduled, ETS under considerati...

There are currently **18 countries with a carbon tax implemented: Argentina, Canada, Chile, China, Colombia, Denmark, the European Union (27 member states), Japan, Kazakhstan, Korea, Mexico, New Zealand, Norway, Singapore, South Africa, Sweden, the UK, and Ukraine. Nine other countries that are considering joining them include Brazil, Brunei, Indonesia, Pakistan, Russia, Serbia, Thailand, Turkey, and Vietnam.**

Furthermore, there are **64 carbon pricing initiatives currently in force across the globe on various regional, national, and subnational levels**, with three more scheduled for implementation, according to <u>The World Bank</u>. Together, these initiatives have been estimated to cover 21.5% of global greenhouse gas emissions in 2021.

Emissions at Your Company: Calculating Carbon Liability



https://hbr.org/2021/10/carbonmight-be-your-companys-biggestfinancial-liability

"Carbon Might Be Your Company's Biggest Financial Liability" by <u>Robert G. Eccles</u> and <u>John Mulliken</u>

October 07, 2021

Example Co. total annual Scope 1 and 2 Emissions: 24.2 million Mt of CO2e

Scope 1 CO, Emissions Scope 2 CO, Emissions 1.1 0.2 1.0 9.2 15.0 million million 2.5 MT MT 5.7 13.7 EMEA EMEA Americas Asia Americas Asia

Cost of Carbon: \$50-\$100 per Mt of CO2e

Total Annual Example Co. Carbon Liability: 24.2 million Mt of CO2e x \$50-\$100 per Mt of CO2e = \$1,210,000,000 - \$2,420,000,000

Example Co. Sales: \$8,856,300,000

Carbon Liability as a % of Sales: ~13.6% - 27.3%

Our approach to drive sustainability impact

Holistic Steering and Reporting

go from Averages to Actuals

Zero Emissions

with Climate Action

Zero Waste

with Circular Economy

Zero Inequality with Social Responsibility

We know your challenges across the 3 Zeros

Examples

Complexity of voluntary & regulatory frameworks

Zero Emissions

with Climate Action

Scope 1,2,3 transparency on company and product level

Harmonized, granular & regulatory **compliant calculation** logic

Zero Waste with Circular Economy

Data & insights on material flow and traceability

Data & insights on material recovery and reuse

Zero Inequality

with Social Responsibility

Transparency on supply chain risks

Workers safety data tracking & insights



We are the right partner for your sustainability journey

Most comprehensive portfolio with holistic vision Embed sustainability into your business DNA with our extensive range of solutions while evolving towards a Green Ledger¹

Seamless E2E integration into business processes Leverage SAP systems² with embedded ESG solutions to gather the required data (scope 1-3) in good quality along your supply chain

Industry specific solutions & networks

Knowing your **industry specific challenges** we provide the right solution & connect you with the largest network



What we'll talk about ...

WHY: The need to transform as a Sustainable Enterprise with SAP

WHAT: SAP Cloud for Sustainable Enterprises and core capabilities

HOW: Our approach to unlock the Sustainability Transformation

Our offering – SAP Cloud for Sustainable Enterprises



Business Network for carbon data sharing Industry Capabilities to solve your specific challenges

Partner Ecosystem geared towards sustainability



HOLISTIC STEERING AND REPORTING

Go from averages to actuals and record data on transactional level

Zero Emissions

with Climate Action

Decarbonize your entire value chain (scope1-3) based on actual business transactions

Zero Waste

with Circular Economy

Incorporate **circularity** into your supply chain & create sustainable business models

Zero Inequality

with Social Responsibility

Understand the **impact of** your **business** on **people and the society**



S/4HANA, CX, HXM, ISBN

Business Technology Platform

Holistic Steering & Reporting

Integrate ESG performance for strategic decision-making and comply with obligations & reporting



Standard semantic frameworks supported





Record: Actuals instead of averages

Measure ESG factors with out-of-the-box integration with SAP systems for faster time to value & granular data visibility based on actual data, not averages



Report: Audit-ready ESG metrics

Report regulatory compliant ESG metrics covering common frameworks (e.g., GRI) based on an open & extensible solution with the largest ESG ecosystem



Act: ESG embedded business processes

Act by planning your future with actionable insights, forecasts and setting targets as well as tracking initiatives & changing business processes

Zero Emissions with Climate Action

Integrate emissions data across the entire value chain to manage and reduce your carbon footprint





E2E emission management

Decarbonize the value chain with corporate & product emissions management (scope 1-3) based on calculated and real data



Inbuilt integration

Integration and reuse of existing business data from S/4HANA and other ERP systems



Efficient calculation & reporting

Standardized & fast data acquisition, calculations and reporting



Elevated decision making

Real-time, actionable insights into footprint scores and emission reduction

Zero Waste with Circular Economy

Unlock Circular Economy to eliminate waste, deliver resilient supply chain & enable regenerative business models



Circular Economy Example

WØRLD ECONOMIC FORUM Read full story



Design for circularity

Switch to sustainable alternatives based on upstream and downstream insights



Resource use optimization

Understand impact of extended producer responsibility obligations, fees and taxes



Business model innovation

Industry Cloud solutions supporting takeback, re-use and rental models



Enablement of sustainable commerce

Extend sourcing solutions to connect markets for re-use & residual waste materials

Zero Inequality with Social Responsibility

Manage your business impact on workforce, suppliers and community efficiently



Social responsibility Example

MARY KAY[®]

Read full story 者



Equality and human rights

Foster Diversity, Equity & Inclusion culture and provide supply chain transparency to protect human rights and reduce inequalities



Health, safety and well-being

Create a strong culture of workforce health & safety and ensure product compliance throughout its lifecycle



Learning, skills & capabilities development

Provide equitable learning access and connect people to opportunities



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SAP as an exemplar

Holistic Steering and Reporting

deliver Integrated Reporting since 2012 and drive Impact Measurement & Valuation

Zero Emissions

with Climate Action

Reach **Net-Zero** by 2030 & **Carbon Neutrality** by 2023

Reduce emissions (e.g., green cloud since 2014)

Zero Waste

with Circular Economy

Strive towards **zero electronic waste** from own ops. by 2030

Phase-out use of single-used-plastics

Zero Inequality

with Social Responsibility

Committed to human rights; health, safety & well-being & ethical use of AI

Upskill workforce & make it more diverse and inclusive



A Rating (Industry avg. C)





Prime rating (1st decile)

Sustainability is a journey, not a destination

Place sustainability front and center. Embed sustainability insights into end-to-end processes extended throughout your business network. This will ensure efficiency gains, social responsibility and compliance while mitigating risk.



Create sustainable products, services & business models



De-carbonize, eliminate waste, and drive social responsibility across supply chains



Business transformation

SAP Embeds Sustainability into your Business DNA

Five key Actions to take...

- 1. Establish a Sustainable Business Strategy Ensure sustainability is central to your overall business strategy with all corporate functions contributing. Measure your progress and report your annual sustainability outcomes at the same level of importance as your financials.
 - **Embed Sustainable Data into your_Business** Use sustainability data within your business processes to make sustainable and profitable decisions and measure performance. Then share the sustainability performance data, which could include calculated carbon emissions, water use, recyclability, or labor information, with your suppliers, industry associations, regulators, and NGOs.
- 3. Manage Carbon and Climate Exposure

Reduce your financial and reputational risks by accounting for and managing climate-related emissions across all parts of your value chain down to the individual product and service level.

- 4. Embrace Circularity and Become Regenerative Use operating principles to avoid, reduce, reuse, recycle, and reclaim materials to minimize waste and accelerate your adoption of circular economy processes. Go beyond doing "less bad" to adopt approaches to do "more good."
- 5. Prioritize People Across Your Value Chain Enhance your social sustainability by respecting your workforce diversity, safety, and human rights, developing learning and growth opportunities, and leveraging the power of your corporate purchasing.

Jointly we unlock your sustainability transformation

Capabilities



Sustainability Transformation

Value

The Cloud for Sustainable Enterprises offers your use cases

Holistic Steering and Reporting

ESG reporting and performance management | Voluntary and regulatory sustainability frameworks | ESG impact measurement & real-time insights

Zero Emissions

with Climate Action

- Corporate & product emission management
- Sustainable travel & transport
- Green IT
- Carbon markets

Zero Waste

with Circular Economy

- Design for circularity
- · Responsible sourcing & material traceability
- Waste management
- Takeback management

Zero Inequality

with Social Responsibility

- Ethical procurement & sourcing
- Product safety & compliance
- DEI, Health and Safety Management

Industry Innovation | Business Network | Ecosystem

Data exchange network | Energy transition | Sustainable farming | Sustainable banking & portfolio management

Use case example CSCO and CPO | SAP is integrated across all business operations

Chief Supply Chain Officer

"Now I can make a measurable impact by running low carbon scenarios in supply chain and make decisions based on my goals around emissions, profitability and supply."





Chief Procurement Officer

"I love that I can now see a suppliers product carbon footprint right next to the price/ delivery/ quality data. I can now take action on carbon in the context of the procurement job."

Provide carbon impact visibility for products & operations – Scope 1-2-3 Respond to **new regulatory requirements** and introduce broad sustainability reporting



Use case example CFO | SAP is integrated across all business operations

Chief Financial Officer
"I can now get our ESG house in order by leveraging our auditable standard reports in line with industry standards and prepare for likely upcoming mandatory standards."



Respond to new regulatory requirements and introduce broad Sustainability Reporting



Solution Highlight

SAP Sustainability Control Tower



Holistic Steering & Reporting | SAP Sustainability Control Tower

Integrate ESG performance for strategic decision-making and comply with regulatory reporting

Ambitions: On-track:	ons: On-track: Off-track:			
3 2	1			ation 👻
Home Planet Economic				
Planet				
Greenhouse Gas Emissions	Our Ambition By 2005 Our Ambition is to reduce our greenhouse gas emissions by 90% and become net carbon neutral by 2005.	Current Performance 02 2023	Trend (in Mt CO2e)	Actions:
	0 M	150.4 V	50 0 01 02 00 04 01 02 00 04 01 02 00 04 01 02 00 04 01 02 00 04 04 02 00 04 04 00 00 04 04 00 00 04 04 00 00	Compare Analyse
Water Consumption •ontuck	Our Antibition By 2035 Dur goal is to reduce our yearly water consumption to 300 Mt by 2015.	Current Performance 02 2001	Trend (in M)	Actions: Company
	300 M	150.3 A		
Economic				
R&D Investment	Our Ambition By 2028. Our overall target is to increase our yearly research and innovation contribution to £200 m by 2028.	Current Performance 02 2023	Trend (in EUR m)	Actions: Company
	200 «	61.8 A LIN don 6 m Actual / In	01 02 03 04 01 02 03 04 01 02 03 04 01 02 03 04 01 02 03 04 2019 2019	
SUSTAINABILIT DISCLOSURE	E ECONOM	TCF	D TASK FORCE ON CLIMATE-RELATED FINANCIAL FINANCIAL	Europear

In a Nutshell

SAP Sustainability Control Tower takes sustainability impact measurement and valuation to the next level by integrating top-, bottom- and green line performance insights. This enables the C-suite to leverage the strategic benefits of corporate Sustainability and better understand the relationships between sustainability and business success.



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Holistic Steering and Reporting: Why SAP?

1. Manage business processes

Helping companies to run their business processes at their best

2. Create transparency with data

Enable automated and timely extraction of auditable granular data from source systems

3. Insights

Report along multiple semantic frameworks defined by standard makers like WEF, GRI, etc. and set individual targets

4. Feedback loop and improvement

Strategic:

Manage and optimize total business performance and impact strategically

Operational:

Embed sustainability metrics and bring artificial intelligence into business processes to manage total performance at the point of decision-making *(i.e. when choosing a new supplier, booking travel,...)*

Beyond company boundaries:

Leverage synergies across your entire value chain and within the business network

Track your business two ways with one lens



Finance Ledger

- GAAP and IFRS are standards for Finance Ledger
- SAP has industry leading Cash Ledger and ERP for 24 different industries.
- Economic Externalities are not captured, thus the groundswell of interest in and adoption of ESG Green Ledgers



Everything below impacts Brand, Compliance, Right to Operate

ESG Green Ledgers

- Green Ledgers align to Environmental, Social and Governance (ESG) criteria *
- Customers are starting to report on multiple ESG Frameworks, often manually. This causes enormous effort time and money, and also raises questions of Audit and Assurance.
- Considers accountability and value creation beyond Financial Markets, e.g.
 - Carbon impact on Climate Change
 - Biodiversity loss
 - Social Equity...
- Externalities can be measured, analyzed, improved
- The ESG Framework is the scorecard

Track your business two ways with one lens



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- Some externality costs/ revenue (carbon price, cap & trade credits) and risks (climate impact on assets, risk reserves...) applied to Finance Ledger
- Climate-related Risks and Opportunities, top 100 firms use TCFD today

Some environment costs impact Finance

60 of_





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SAP Sustainability Control Tower | WEF Framework

SAP Sustainability Control Tower provides the Platform and Capabilities to enable holistic and integrated Sustainability Performance Management



Public

Holistic ESG Steering and Reporting

CEO/CFO/CXO: Integrating economic, environmental and social performance into strategic decision-making

WORLD ECONOMIC TCFD TASK FORCE GRI European — Solution Architecture International Sustainability Standards Board FORUM Commission WEF Pillars WEF Themes WEF Metrics WØRLD ECONOMIC Dignity and equality **Diversity and Inclusion** Principles of Governance FORUM Health and safety Pay equality Planet Skills for the future Measuring People Wage level Stakeholder Prosperity Capitalism Male / female ratio overall Age group distribution overall Age group distribution per level Ethnic representation **Key Figures:** Example Male / female ratio per level Male / female ratio per function Ethnic representation overall Percentage of Employees Headcount FTE Gender Ethnicity Level Country Metrics: **Dimensions:** by Categories like Age, Hires Function Terminations Age groups Org. Structure Gender, or Level According to **WEF** Measuring Further relevant SAP IES / SAP Sustainability Other Applications SAP **Business Suite Data Sources** Applications and Data Sources Stakeholder Capitalism Non-SAP SAP PPS SAP SFSF SAP Ariba SAP EHS SAP Finance Flat files Sustainability (Excel, csv...) SAP DSC SAP HCM SAP Concur Applications SAP RDP SAP MM SAP REA SAP Fieldglass SAP PC SAP PLM Other Other Databases Sources SAP BW SAP PFM SAP GRC SAP EAM

480+ ESG Frameworks

Holistic ESG Steering and Reporting

CEO/CFO/CXO: Integrating economic, environmental and social performance into strategic decision-making



Solution Vignette



We provide you the right partners with our SAP Sustainability Ecosystem



With the entire SAP[®] PartnerEdge[®] Ecosystem

With thought leadership partners & impact networks





As a next step – we invite you to a joint SAP Sustainability session

Confirm your sustainability strategy and objectives



Introduce in more detail SAP capabilities, demo & vision



Prioritize your **sustainability use cases**



Validate **scope & way forward** for further collaboration

THANK YOU

Contact Information

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