



Sustainability: The next frontier of Digital Transformation

Executive Briefing

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SAP



Agenda

A world in crisis

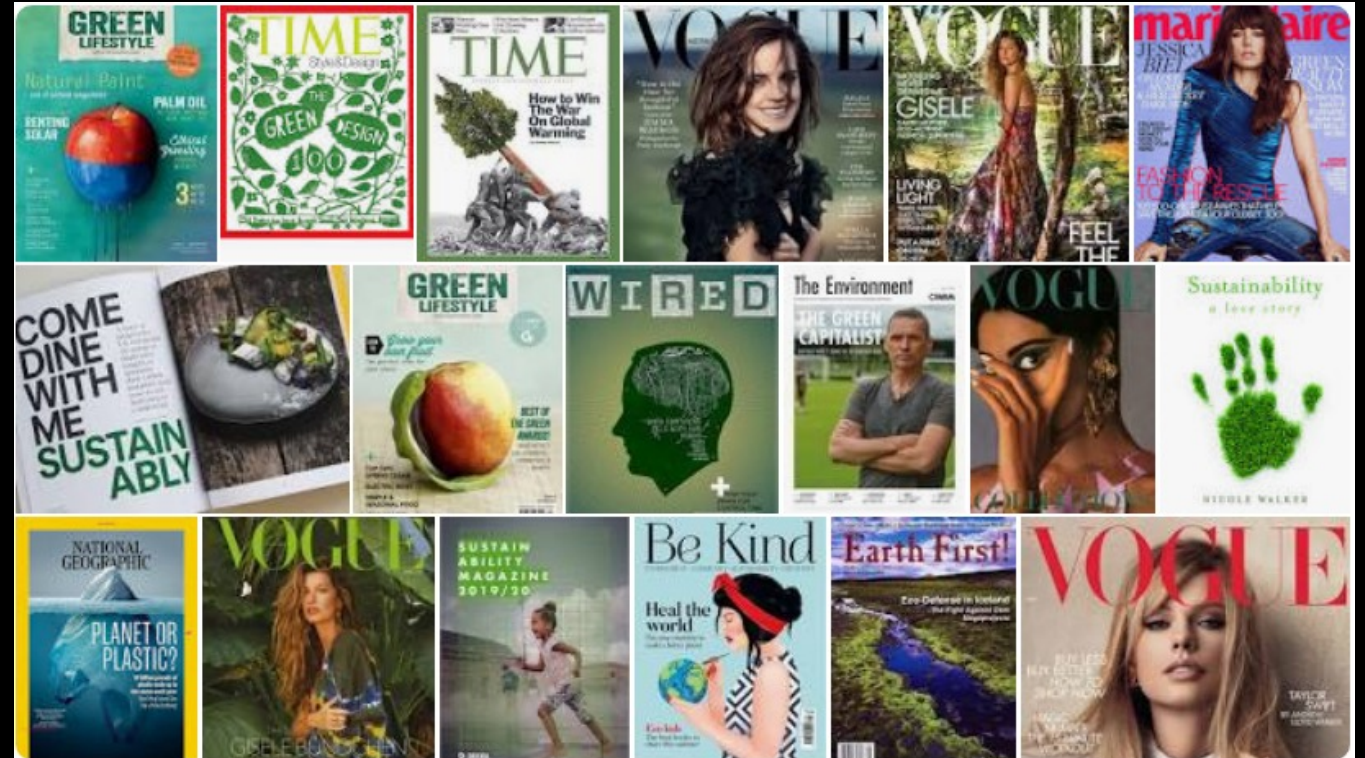
Market Context

Ambition to Action

Living the Truth

What we can do together

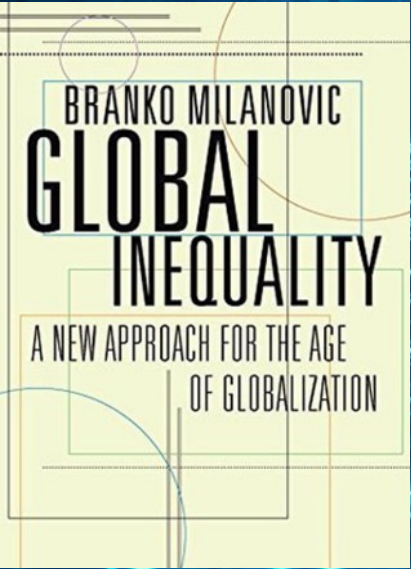
Value Proposition



A world in crisis - interconnected existential problems.

INEQUALITY IS
GROWING FOR 70%
OF THE POPULATION

UNITED NATIONS



“DELAY IS DEATH”

IPCC 2022



HALF A TRILLION TONNES OF
VIRGIN MATERIALS; OUR WORLD IS
ONLY 8.6% CIRCULAR

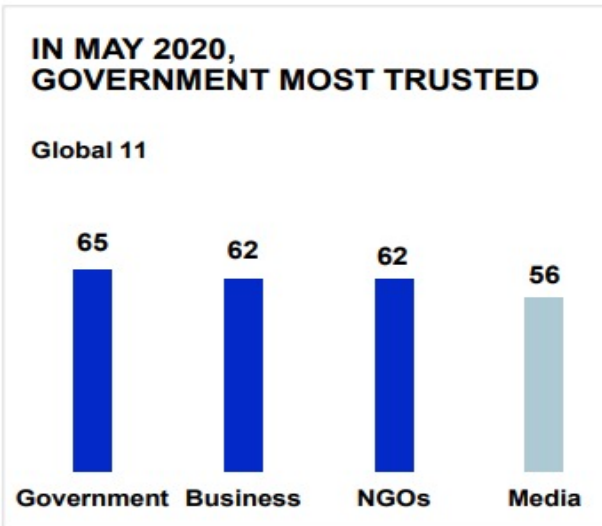
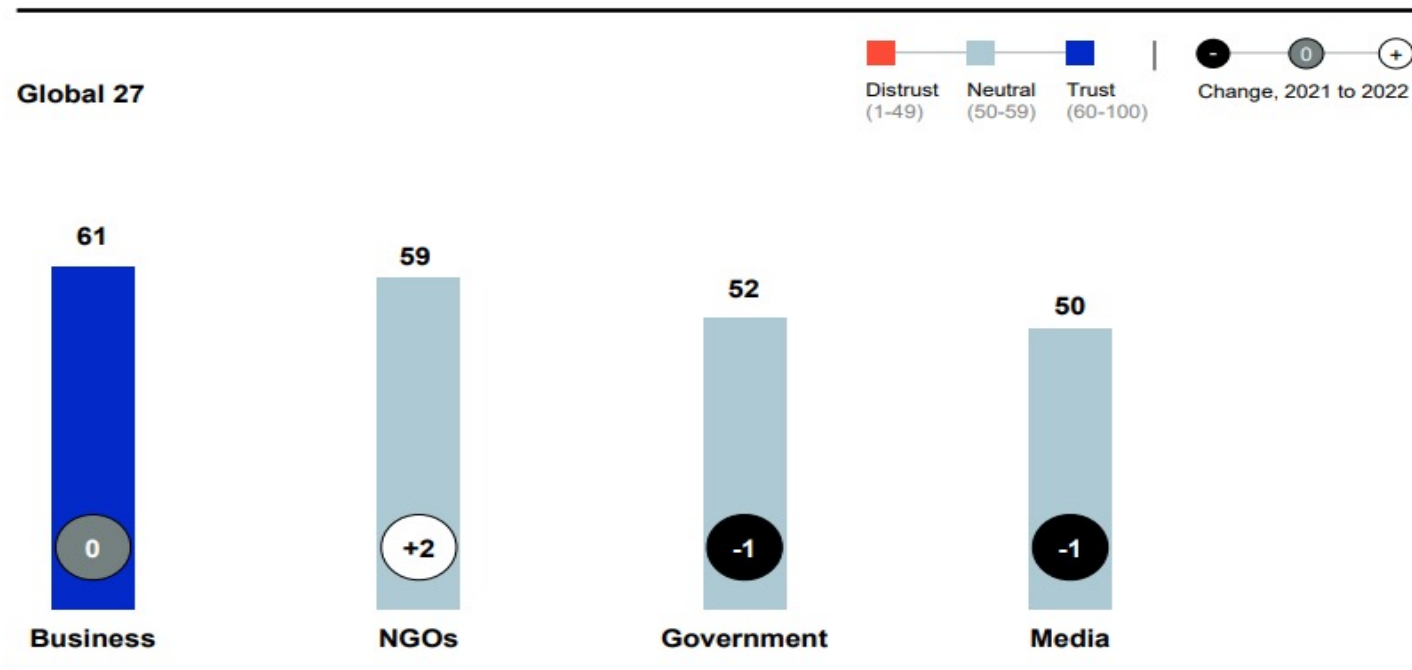
CIRCULARITY GAP REPORT



Societal leadership is now a core function of business.

TRUST DECLINES FOR GOVERNMENT AND MEDIA; BUSINESS STILL ONLY TRUSTED INSTITUTION

Percent trust



2022 Edelman Trust Barometer. TRU_INS. Below is a list of institutions. For each one, please indicate how much you trust that institution to do what is right. 9-point scale; top 4 box, trust. General population, 27-mkt avg.

2020 Edelman Trust Barometer Spring Update. TRU_INS. Below is a list of institutions. For each one, please indicate how much you trust that institution to do what is right. 9-point scale; top 4 box, trust. General population, 11-mkt avg.

ALL STAKEHOLDERS HOLD BUSINESS ACCOUNTABLE

Percent who agree

Global 27

58%

Buy or advocate
for brands
based on their beliefs
and values

60%

Choose a place
to work
based on their beliefs
and values

64%

Invest
based on their
beliefs and values

Global 7

Source: 2021 Edelman Trust Barometer
Special Report: Institutional Investors

88%

of institutional investors
subject ESG to the same scrutiny
as operational and financial
considerations

2022 Edelman Trust Barometer. Belief-driven consumer, employee, and investor segments. General population, 27-mkt avg. Employee data is filtered to be among employees of an organization (Q43/1). Investor data is only among those who sell stocks, bonds, or mutual funds as a standalone or employer-sponsored investment (INVESTOR/1). See Technical Appendix for a full explanation of how belief-driven consumers, employees, and investors were measured.
2021 Edelman Trust Barometer Special Report: Institutional Investors. Q7. Please indicate the extent to which you agree or disagree with the following statements regarding shareholder activism. 4-point scale; top 2 box, agree. 7-mkt avg.

The C-Suite is under pressure to act

Traditional view of sustainability

Modern view of sustainability



CAPITAL

94% of sustainable indices outperformed their parent benchmark between January and March 2020. [Source](#)



BRAND

Reputation and fulfilling stakeholder promises (customers, investors, employees, society, NGOs)



Regulatory Risk and Cost

60+ carbon pricing initiatives in place or scheduled for implementation [Source](#) + **Extended Producer Responsibility** regulations set to accelerate pivot to Circular Economy. [Source](#)



TALENT

#1 concern amongst 1000 Millennial and Gen respondents [Source](#)



CONSUMERS

5.6x faster growth of sustainable consumer packaged goods compared to not sustainable ones [Source](#)

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The C:Suite is Increasingly Updating Shareholders on Sustainability

C:Suite business leader trends from quarterly earnings calls powered by AlphaSense¹

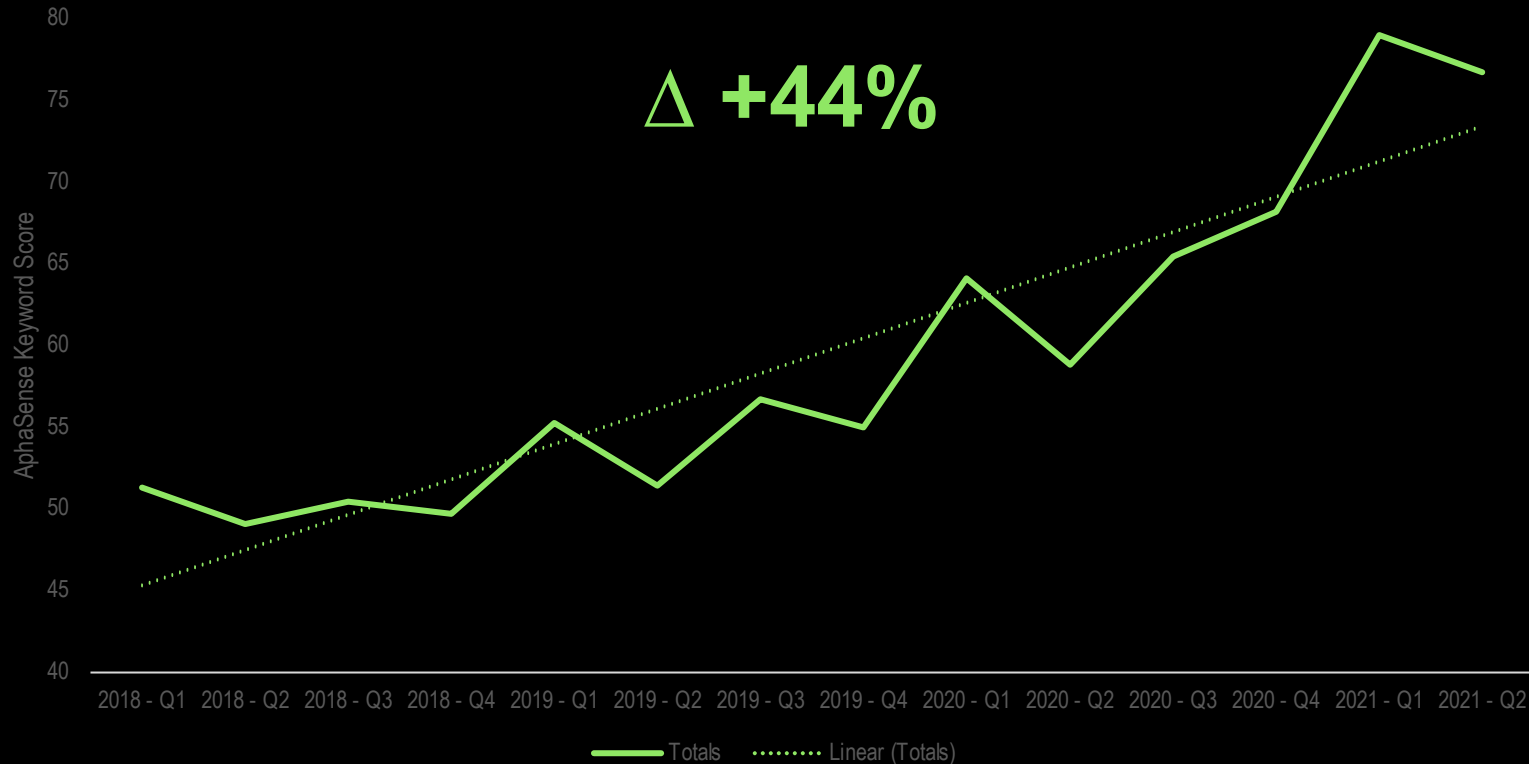


Analysis

Earnings Transcript Keyword Trend Score: “Sustainability”

Entire Market

△ +44%



Findings

C:Suite business leaders are increasingly updating shareholders on their Sustainability and ESG strategies during quarterly earnings calls

Up 44% since 2018

Peaked Q1 2020

Up 30% YoY

The highest quarterly % change was Q4 2019 to Q1 2020 ~ +18%

In Q2 2021, the keyword “Sustainability” and all corresponding synonyms appears 4,692 times in earnings calls

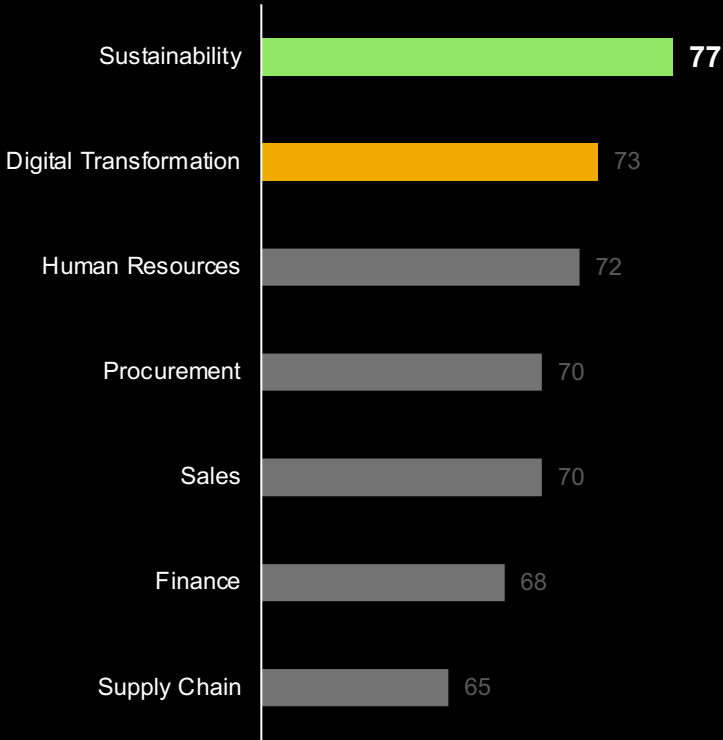
Sustainability is the Highest Trending Topic Across All Business Topics



Analysis

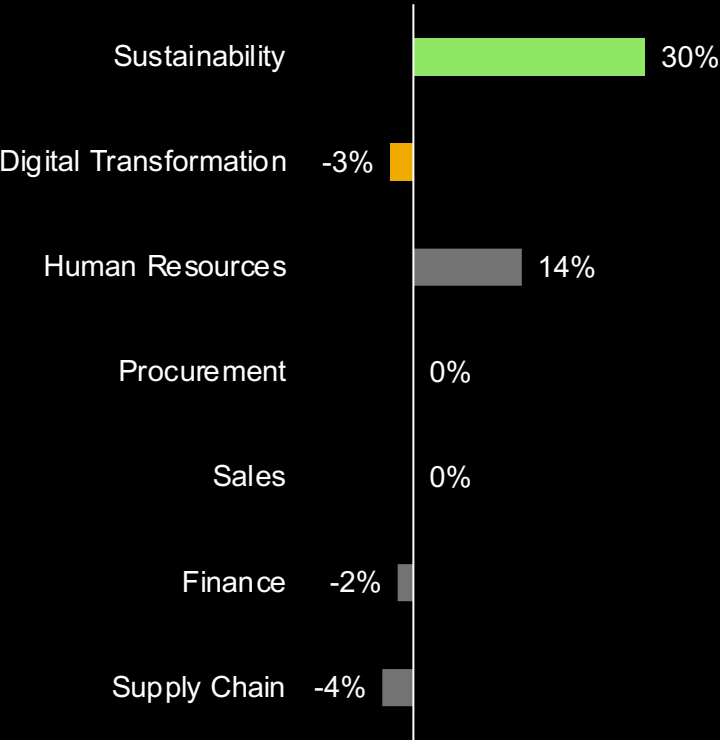
Earnings Transcript Keyword Trend Score by Topic

Absolute Value (Q2 2021)



Earnings Transcript Keyword Trend Score by Topic

% Change YoY (2021Q2 v. 2020Q2)



Findings

Sustainability is the highest trending topic in earnings calls across all business topics (77) followed by Digital Transformation (73)

Mentions of Sustainability increased 30% YoY followed by Human Resource topics (14%)

Supply chain is the least talked about business topic (65)

Executive interest in Supply Chain topics saw the largest decline in discussion YoY (-4%)

The Sustainability Gap = { Ambition – Activation }

AlphaSense

Earnings Transcript Keyword Trend Score for Sustainability by Industry
Q2 2021, by Industry



S&P Global

ESG Scores by Industry
2021, by Industry



The Sustainability Gap, Talking the Talk but Not Walking the Walk (1/2)

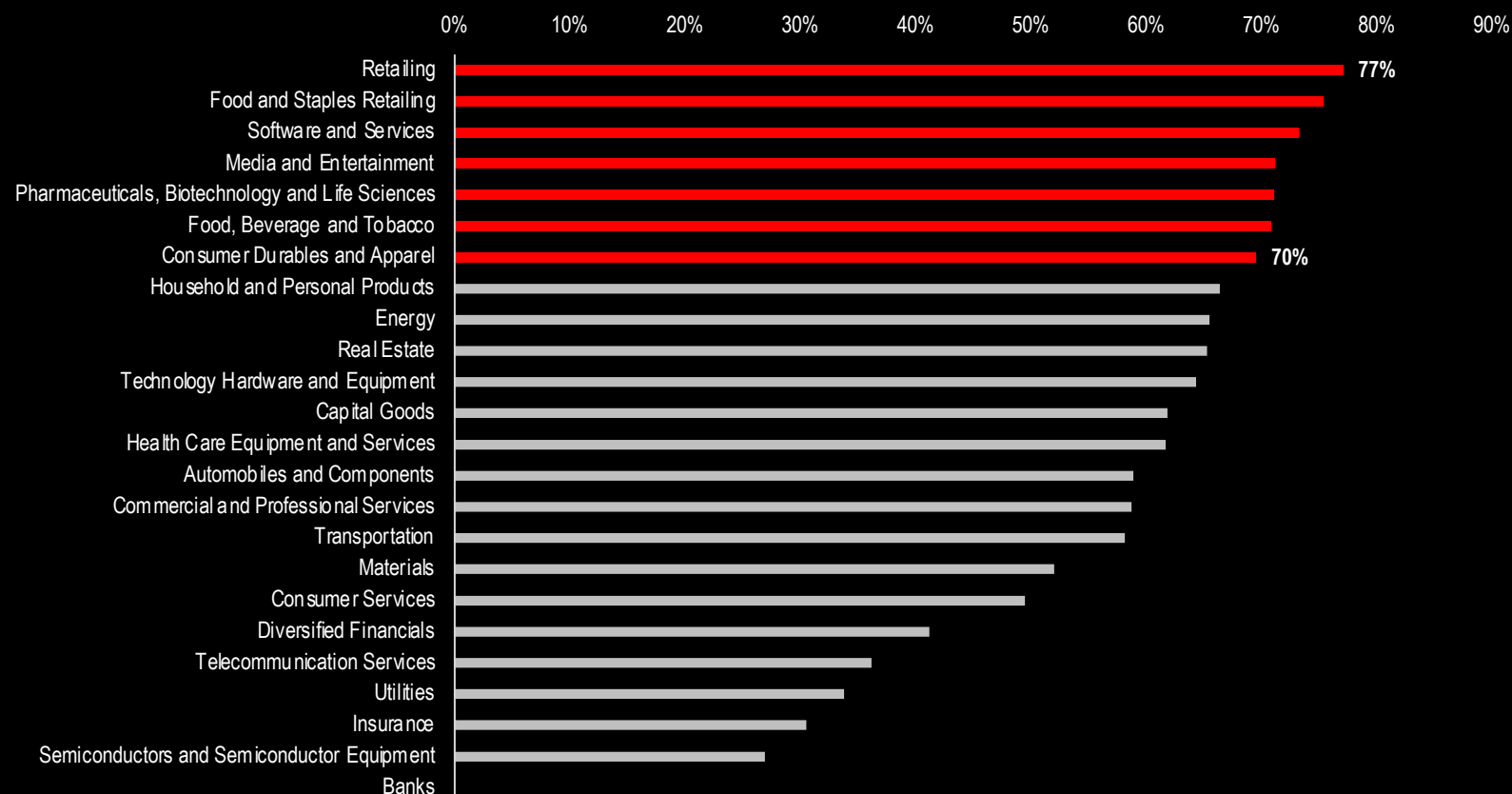
Some industries have bold ESG ambitions but lack activation



Analysis

% Difference Between ESG Score and Earnings Call Keyword Trend Score for ESG Topics

by Industry, 2021



Findings

AlphaSense AI analyzes quarterly earnings call transcripts for sentiment insights and produces a Keyword Trend Score, in this case “ESG/Sustainability”. It’s a barometer for the extent to which the C:Suite is updating shareholders on ESG topics

S&P Global provides a rigorous scoring system for ESG performance through a multi-dimensional evaluation criteria

The differences between the two metrics (both on a scale from 0 – 100) provide insights of Sustainability gaps, where business leaders are talking a lot about ESG but have poor ESG performance.

‘Retailing’ for example scored a perfect 100 out of 100 in their ESG Keyword Trend Score, but their actual avg ESG Scores are 23 out of 100 (Δ 77%). Therefore, Retail leaders are talking the talk but not walking the walk.

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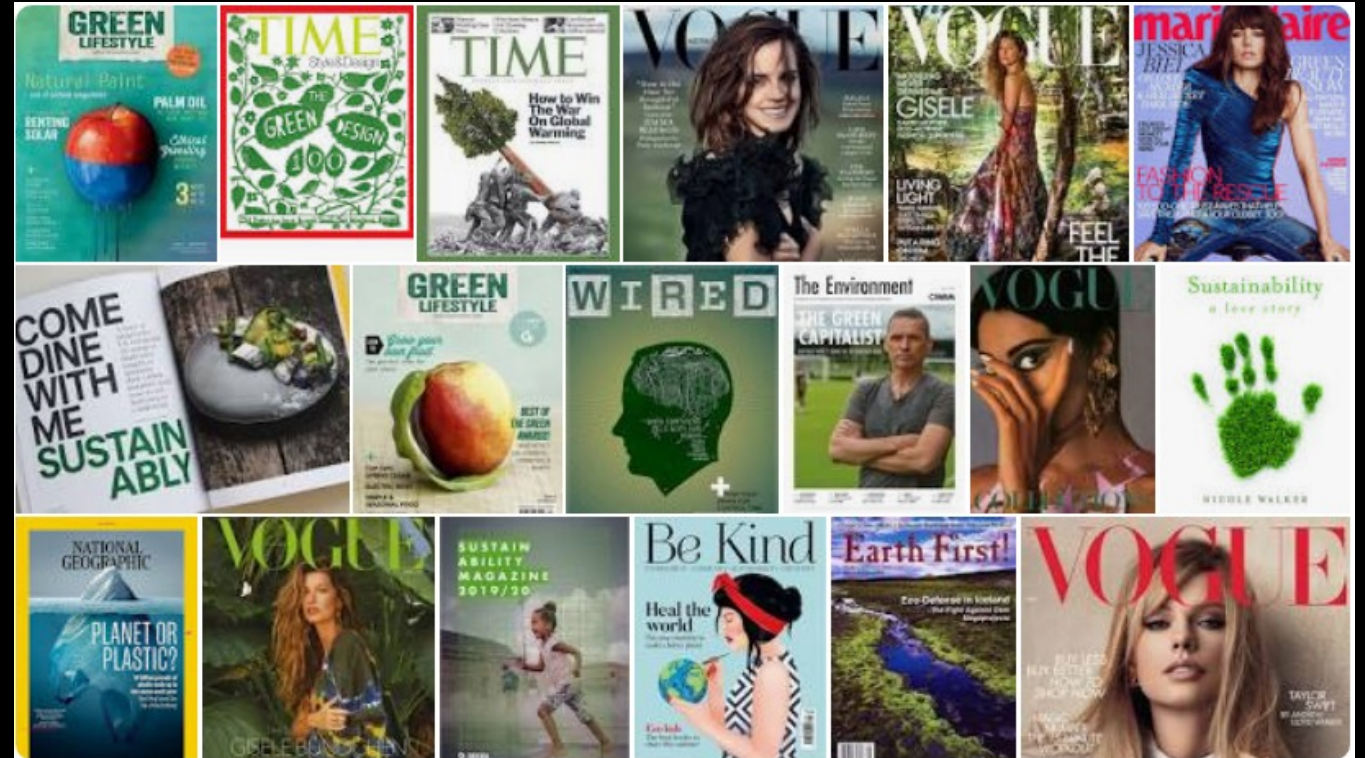
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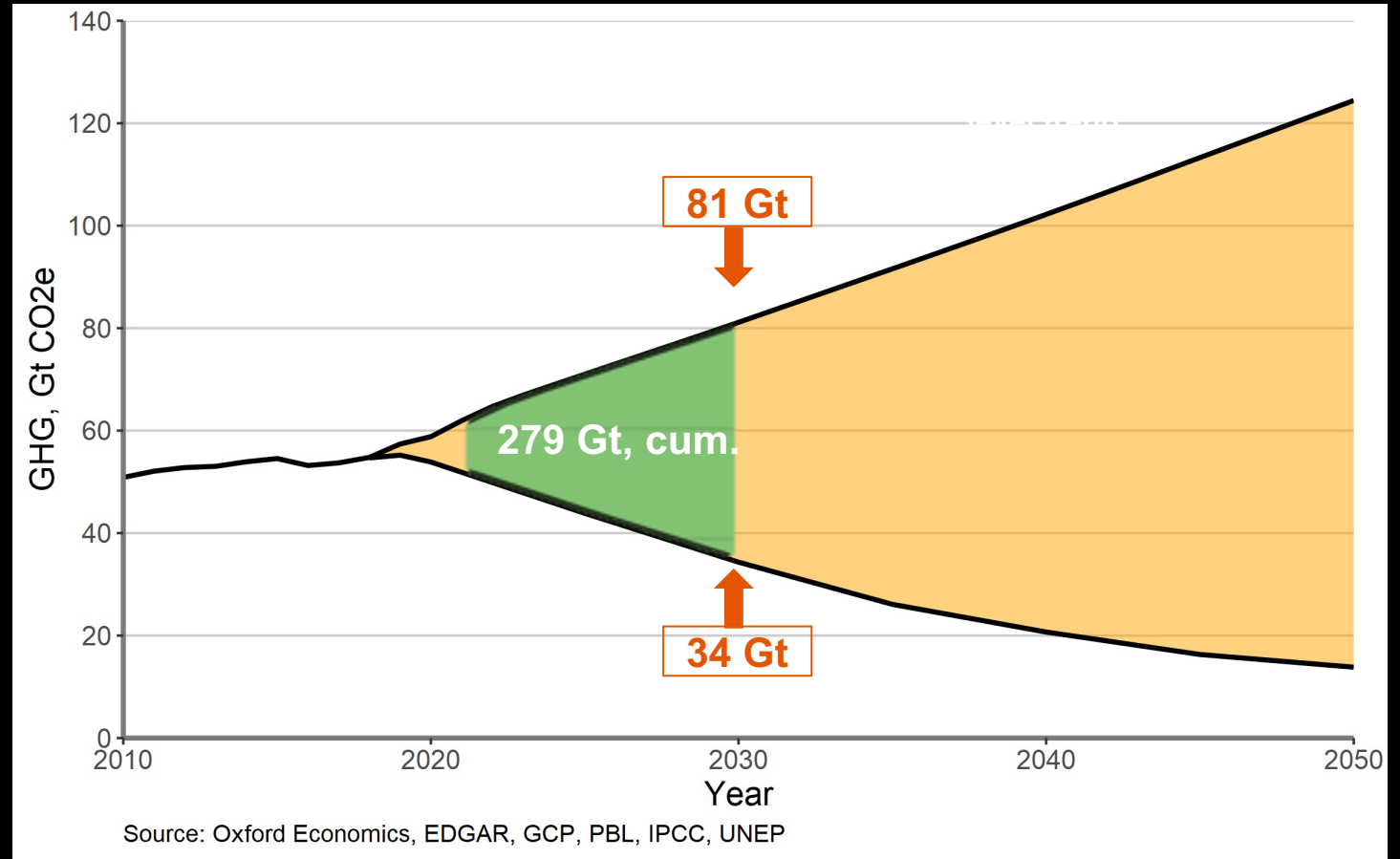
To reach 1.5C pathway by 2030, we will need to close the emissions gap of nearly 280 Gt

Current emissions levels

- Without mitigation, based on historic growth, GHG emissions could reach **81 Gt/yr CO₂e by 2030**, 124 Gt/yr by 2050

2C reduction pathway

- To realize the 2°C pathway, annual GHG emissions must reduce to **34 Gt/yr by 2030** and 14 Gt by 2050



Note: While not the scenario for this research, a 1.5C pathway would require a further reduction to 20-23 Gt/yr by 2030.

As noted in May 2021 here: https://climateactiontracker.org/documents/853/CAT_2021-05-04_Briefing_Global-Update_Climate-Summit-Momentum.pdf

SAP addressable impact of emissions gap is 19% or 53 Gt, 2022-2030

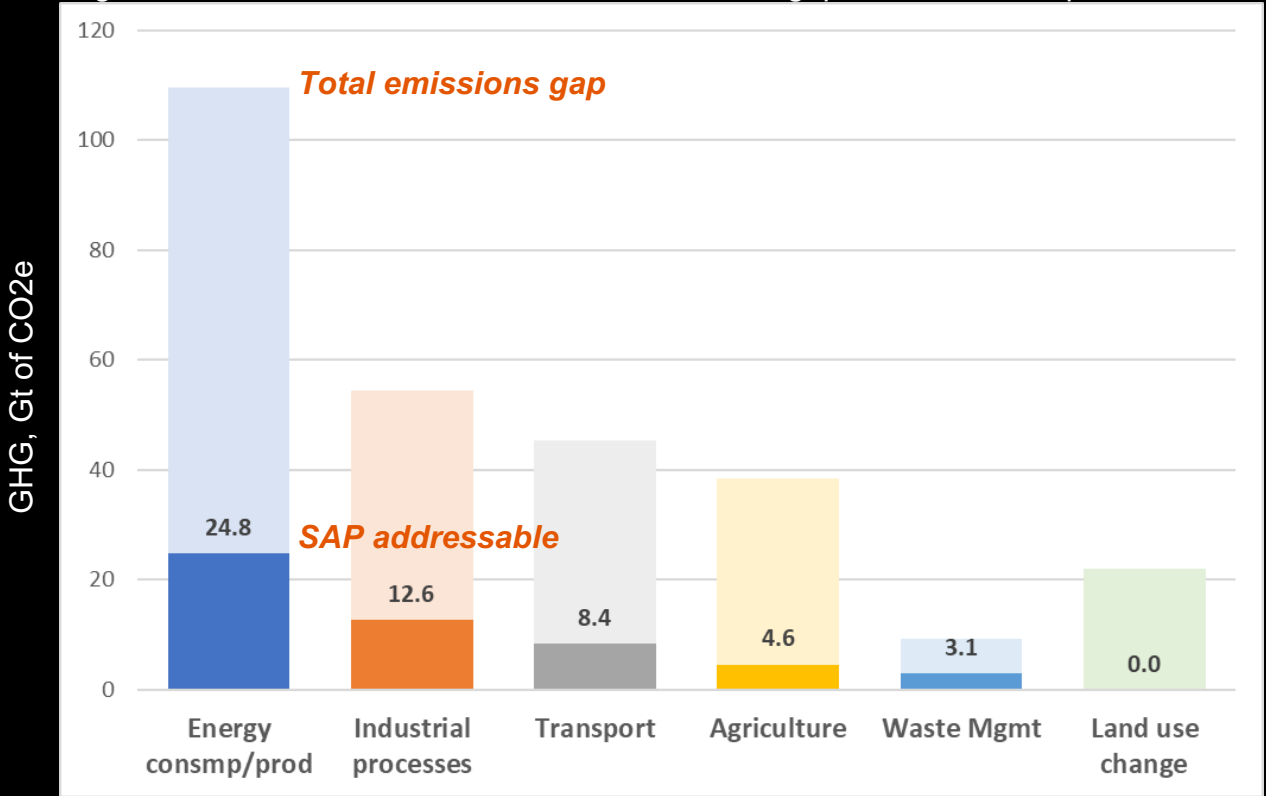
Based on study of the top 1620 customers

Based on their 2019 share of global production*, we estimate that approximately **19% of the emissions gap, or 53Gt, needs to come from SAP’s top 1,620 clients.**

SAP can provide business operation solutions that can help their clients meet these mitigation needs across the 5 broad IPCC sectors.

Emissions gap by sector and SAP potential impact

Figure 12: SAP addressable cumulative emissions gap, 2022-2030, Top 1620 clients



Source: Oxford Economics, SAP, EDGAR, GCP, PBL, IPCC, UNEP

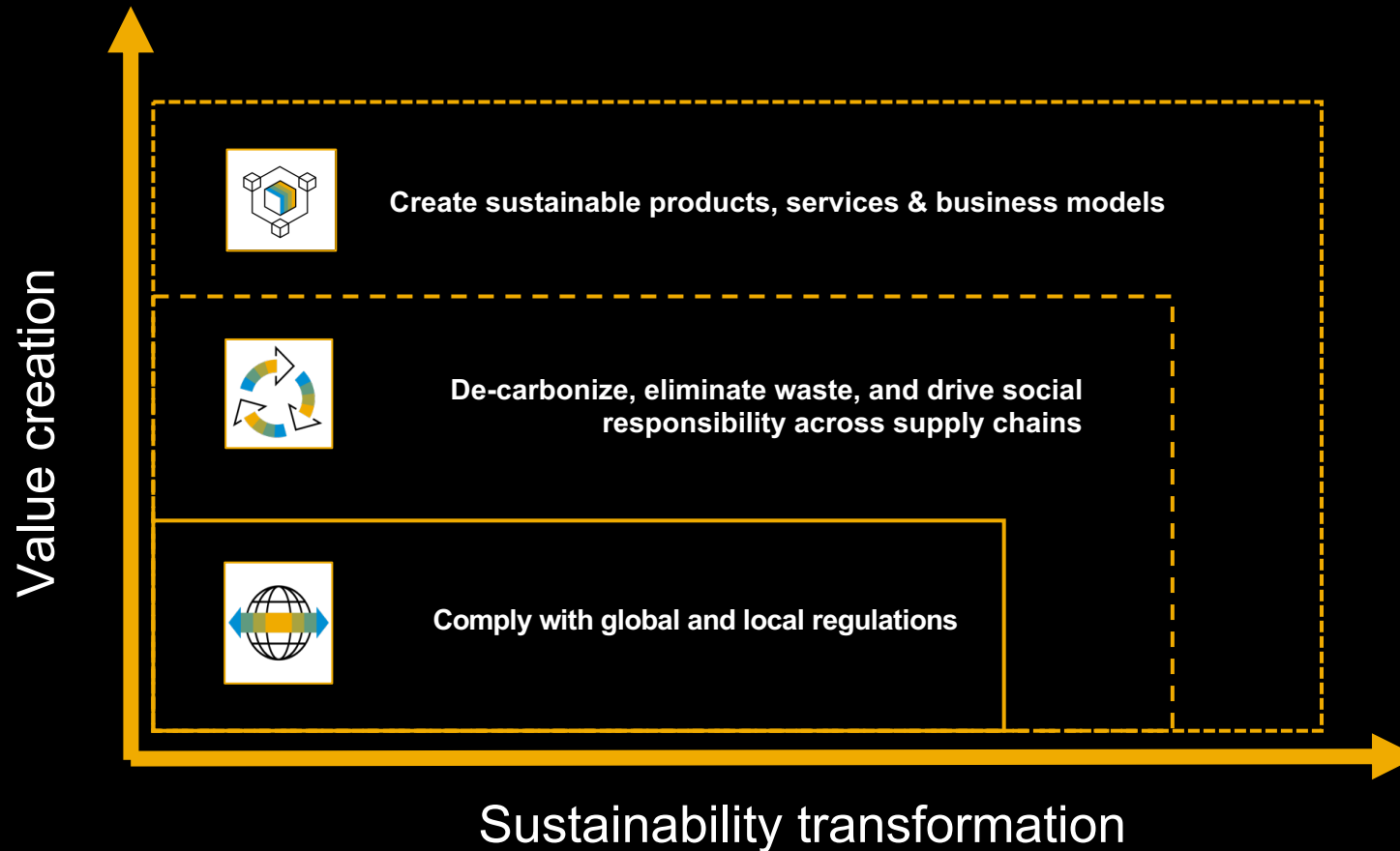


*Almost half of SAP’s addressable impact is in energy. About one-fourth in industrial processes.
SAP’s impact can extend beyond these top/global accounts, and across more of the scope 2 & 3 emissions*



Sustainability is a journey, not a destination.

In essence, sustainability is a resource management issue. SAP has been helping companies optimize their resources for over 50 years. Industries and companies are at different stages of maturity, with urgent requirements in different areas. Challenge is to make sustainability profitable, and profitability sustainable.



Key challenge: Balancing short term profitability with long term sustainability

79%

are dissatisfied with the quality of data at their disposal to drive sustainability transformation

&

1/3

do not know how to integrate sustainability into their core business strategy, systems or processes

Data and Process Integration are burning issues

Purpose

Help the World Run Better and Improve People's Lives

Sustainability

Creating Positive Economic, Environmental and Social Impact within Planetary Boundaries

Enabler

Providing products & services that meet the sustainability challenges and opportunities of our customers

Exemplar

Leading by example in our own sustainable business operations and practices



Holistic Steering & Reporting

- Exemplar
- Enabler

- SAP Sustainability Control Tower
- Integrated Reporting
- Value Balancing Alliance



Climate Action

Zero Emissions

- SAP Product Footprint Management
- SAP Environment Management (EHS)
- Carbon Neutrality by 2023
- Environmental Management System



Circular Economy

Zero Waste

- SAP Responsible Design & Production
- Phase out single-use Plastics



Social Responsibility

Zero Inequality

- SAP Health and Safety Management (EHS)
- Social Procurement with SAP Ariba
- Diversity, Equity, and Inclusion
- Health & Well-Being
- Skilled Workforce
- Social Entrepreneurship

Ethical business practices



SAP CLOUD FOR SUSTAINABLE ENTERPRISES

A comprehensive cloud solution that integrates data and process to manage carbon footprint, reduce material waste, and achieve people sustainability. With a single license. Supported with the power and expertise of a global ecosystem.

HOLISTIC STEERING AND REPORTING

SAP for Sustainability Reporting and Steering (Sustainability Control Tower)

- SAP Analytics Cloud, SAP Profitability and Performance Management, SAP Data Warehouse Cloud

ZERO EMISSIONS with

- **SAP Environment Management (EHS)**
- **SAP Product Footprint Management**
- **SAP E-Mobility**
- **SAP Landscape Management Cloud**
- SAP Transportation Management
- SAP Concur
- SAP Traders & Schedulers Workbench
- SAP Cloud for Energy
- SAP Digital Vehicle Hub (SAP AIN)
- SAP Direct Distribution
- SAP Multichannel Order Management

ZERO WASTE with Circular Economy

- **SAP Responsible Design & Production**
- **SAP S/4HANA for Product Compliance**
- **SAP Environment Management (EHS Waste Mgmt)**
- **SAP Rural Sourcing Management**
- **SAP Logistics Business Network**
- Product Lifecycle Management
- Integrated Business Planning
- **SAP S/4HANA for Waste & Recycling**
- **SAP Returnable Packaging Management**
- **SAP Intelligent Returns Management ***
- **SAP Outcome-based Business Insights ***
- **SAP Replenishment Planning**

ZERO INEQUALITY Social Responsibility

- **SAP Successfactors**
- **SAP Health and Safety Management (EHS)**
- **SAP Occupational Health (EHS)**
- **SAP Incident Management (EHS)**
- **SAP Business Integrity Screening**
- **SAP S/4HANA for Product Comp**
- SAP Concur (Duty of Care)
- SAP Ariba (Supplier Diversity)
- SAP Fieldglass (Contingent Workforce Diversity)
- Qualtrics Employee XM
- **SAP Work Clearance Management (EHS)**
- **SAP Management of Change (EHS)**

RISE with SAP for S/4HANA Cloud (public and private) – Existing Hard Bundle

Including SCT „light“, Connector for PFM, Embedded Process Seps along E2E processes, SAP Product Carbon Footprint Analytics

Industry Specific Offerings – Existing Flex Bundles

Transformation pack for Utilities, IMC, Consumer Products, Retail and Automotive



THE SUSTAINABILITY PERFORMANCE GAP: **TURNING AMBITION INTO ACTION**

REGISTER HERE

April 5 2022 | 11:30AM
The SAP Purpose and Sustainability Center
10 Hudson Yards, Floor 48

Why You Should Attend:

Join the growing global community of changemakers committed to bringing profit and planet together for a bold future with Zero Emissions, Zero Waste, and Zero Inequality.

Networking

Connect with C-level executives, line of business leads, and those responsible for sustainability decision-making within their organizations.

Explore Solutions


Take part in a sustainability tour featuring showcases, solution demos, and an immersive experience.

Participate in an Executive Exchange

Discuss the greatest issues your business faces today including ESG reporting, decarbonization and circularity.

Hear Insightful Thought Leadership

Hear from a distinguished panel of sustainability leaders across industries as they explore the challenges and opportunities in sustainability transformation.



Economics: Bringing profit and planet together

Watch the video

Businesses once had to choose between profitability and sustainability. Now, with SAP, they can choose both.

SAP has the people, technologies, and processes to bring it together. Profit and planet. Productivity and people. Innovation and conservation. Across departments, functions, industries, supply chains, and markets.

That's Economics. And it all comes together with SAP.

www.sap.com/sustainability