

# Embedding Sustainability into Financial Processes

The path to the green ledger and how Finance departments can lead the sustainability transition

**Massimo Ciotola**, SAP Finance Center of Excellence  
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Las Vegas

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**2024**

**SAP**insider



## In This Session

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- Discover SAP's mission to enable intelligent, agile and **sustainable** processes
- Discover SAP's visionary roadmap to the **Green Ledger**, anchored in transactional carbon accounting.
- Explore breakthrough capabilities that will transform how businesses are managed and **steered towards net zero**.



# Agenda

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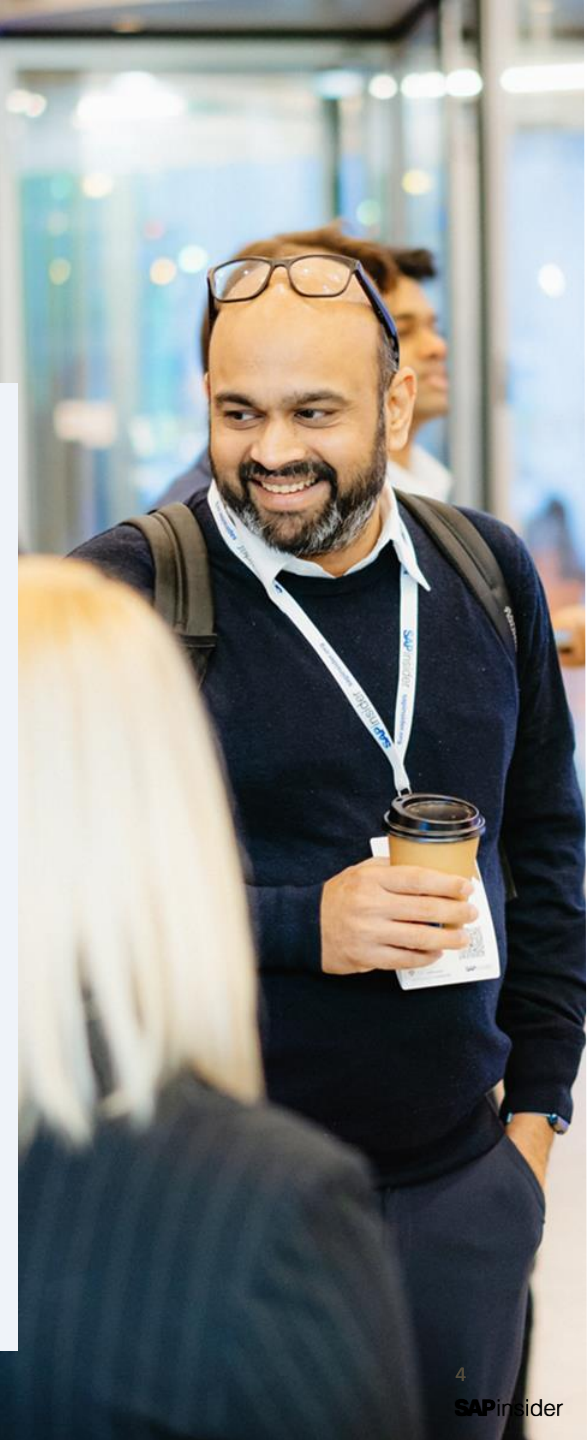
- SAP's Mission & Strategy
- Compelling Events driving Sustainability
- Manage Compliance
- Improve Sustainability Quality
- Improve Sustainability Performance
- Wrap-up



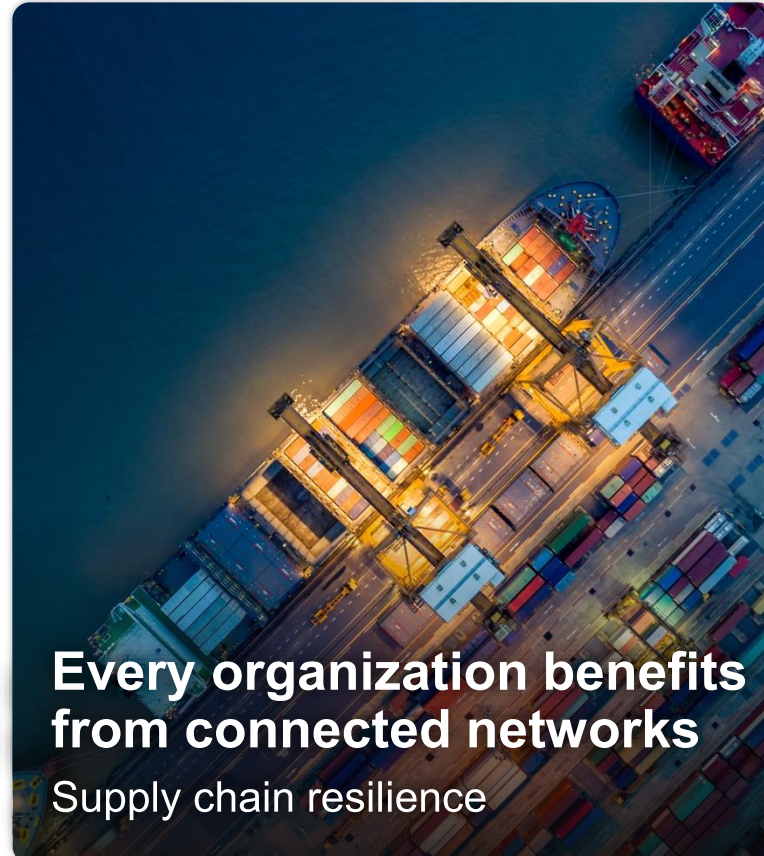
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- **SAP's Mission & Strategy**
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# Our mission to enable a network of intelligent, agile and sustainable processes





# Our mission to enable a network of intelligent, agile and sustainable processes



## Turnkey visibility for Environmental, Social and Governance performance throughout the organization

- Operationalize sustainability as part of the business & steering model
- Report financial results including sustainability impact with confidence
- Enable resilient, sustainable, and profitable business models to protect long-term value
- Manage sustainability risks, policies and standards

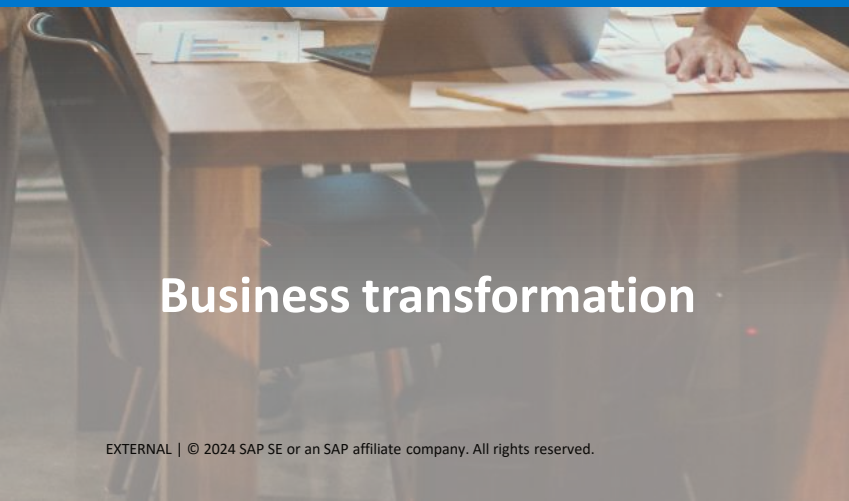


## SOXification of ESG

Applying the rigor of financial data to sustainability data

# Data, Data, Data

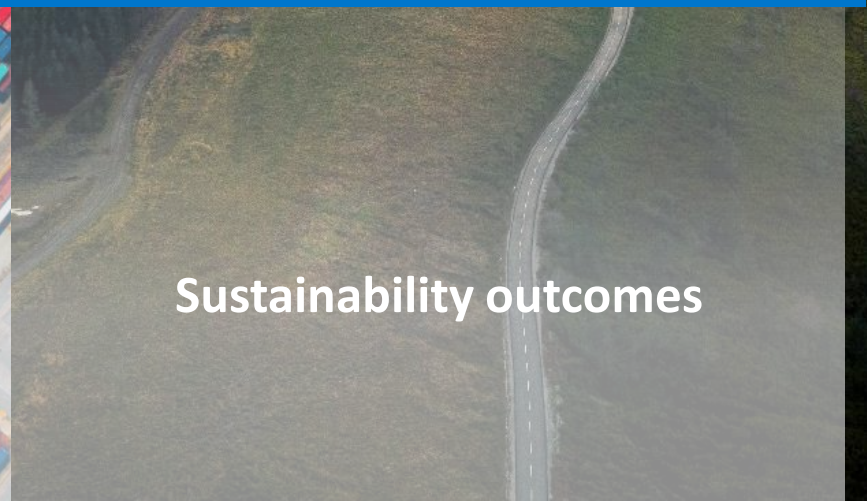
- Automated
- Accurate
- Assured
- Auditable
- Attestable



Business transformation



Supply chain resilience



Sustainability outcomes





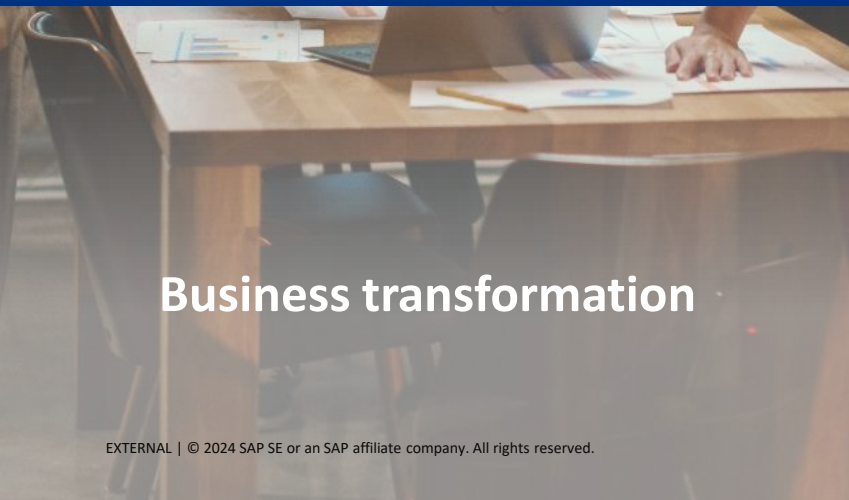
## Why SAP?

**SUSTAINABILITY** xERP

Sustainability powered by ERP

Embed ESG data in  
business processes to drive  
sustainable change

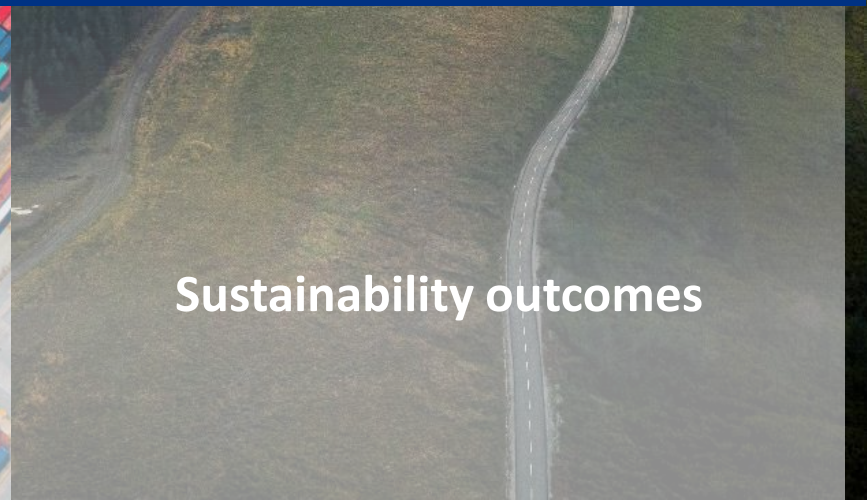
No business becomes  
sustainable until their business  
processes become sustainable



**Business transformation**



**Supply chain resilience**



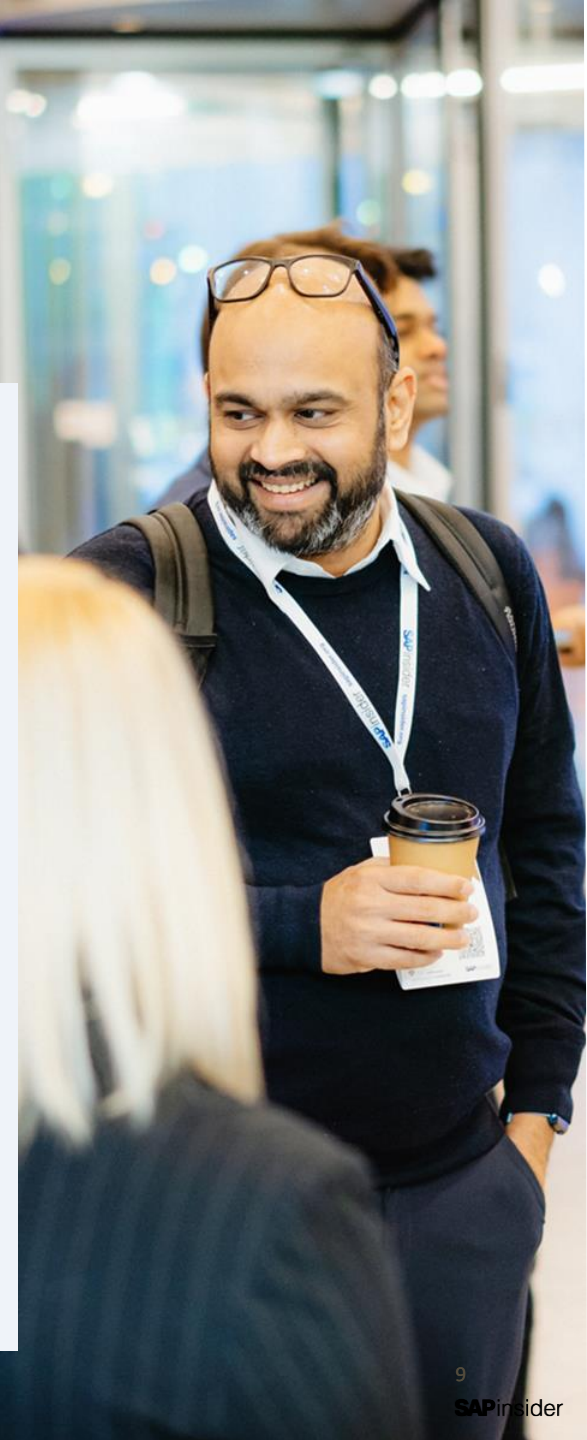
**Sustainability outcomes**



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# Compelling Events

California SB 253 & SB 261



## California's sweeping climate disclosure laws: possible impact to asset managers

November 29, 2023 - On Oct. 7, 2023, California Governor Gavin Newsom signed into law two watershed climate bills that will require...



## California bill would force large companies to disclose greenhouse gas emissions

A first-of-its-kind bill that would require large companies operating in California to publicly disclose their greenhouse gas emissions...



## SEC's Climate Rule Be, Many Be

Legal challenges are certain, but many...



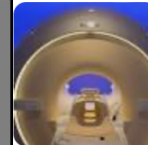
## A new rule requiring companies to disclose how much they pollute is coming in 2024

The Securities and Exchange Commission will decide by next spring on a rule to make public companies disclose how much they generate in...



## France will jail corporate directors who fail to adhere to new CSRD requirements

No get-out-of-jail-free-card will save companies that don't comply with this new French law.



CSRD

Carbon Border Adjustment Mechanism

Digital Product Passport

Plastic Packaging Tax



## Navigating The EU's Corporate Sustainability Reporting Directive

In the ever-evolving landscape of corporate responsibility, the EU's Corporate Sustainability Reporting Directive has emerged as a...



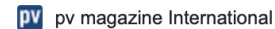
## European Union: The new European Carbon Border Adjustment Mechanism

The European Carbon Border Adjustment Mechanism (CBAM) entered into force on 1 October 2023. The full panoply of obligations will gradually...



## Explainer: what is the EU's CBAM, and what does it mean for global trade?

Philippe Pernstich, founding footprinting lead at Minimum, sits down with Energy Monitor to talk CBAM and supply chains.



## EU governing bodies provisionally approve digital product passport

The European Commission and the European Parliament have provisionally agreed to revise the European Union's sustainability product...



## Germany moves towards new 'plastics tax'

Following in the footsteps of countries such as Spain and the United Kingdom, Germany is now also introducing a 'plastics tax' of its own.



## Plastic Packaging Tax raises £276m in first year £41m over target

Plastic Packaging Tax (PPT) receipts collected by HM Revenue and Customs (HMRC) in the financial year 2022 to 2023 totalled £276 million,...



SEC Climate Disclosure Rule

CSRD



# Reinvent the “R” in ERP

Expand the definition of “resources” to record, report, and act on carbon in sync with financial data

## The Path to the Green Ledger



For more information, read the **carbon accounting white paper** from SAP and World Business Council for Sustainable Development (WBCSD)

### Record

Document account emissions with accuracy based on actuals along your supply chain

### Report

Make emissions comparable with standardized reporting

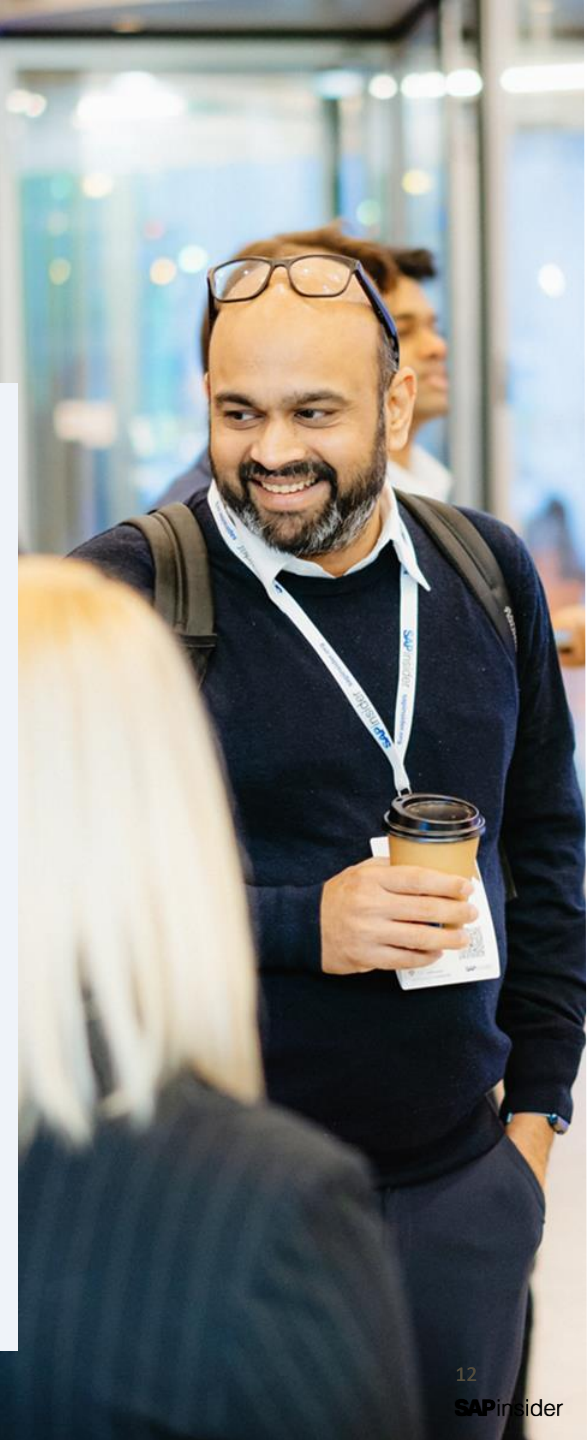
### Act

Reduce emissions based on carbon data in your existing business software

# Agenda

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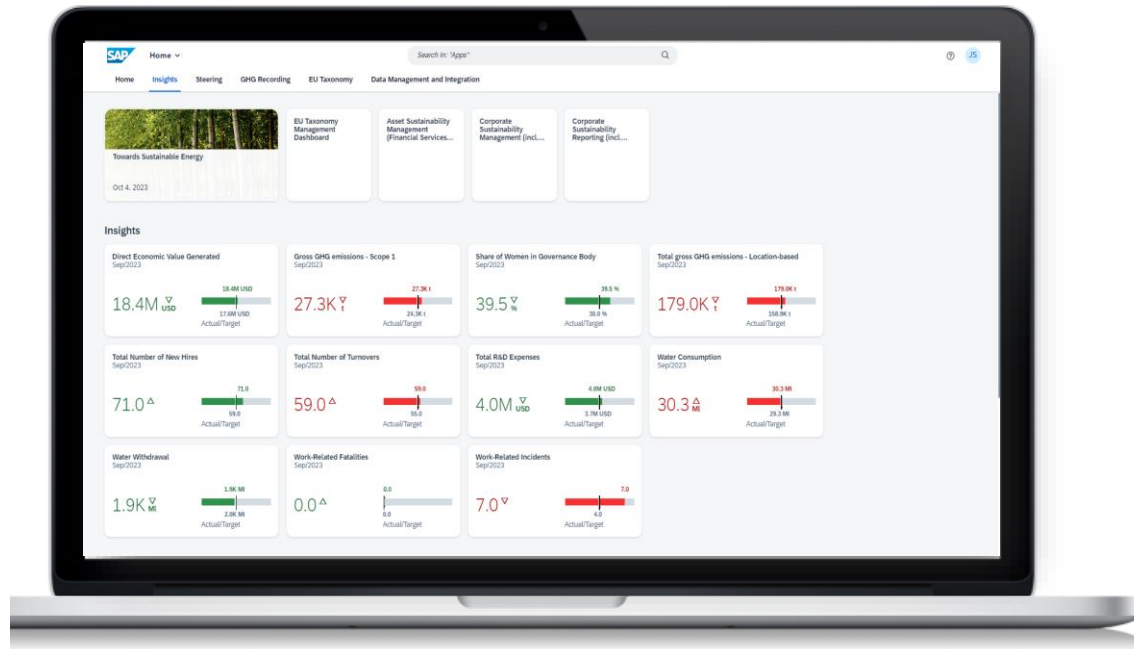
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# SAP Sustainability Control Tower

Automated, Auditable, Compliant Reporting with Actual Data & Insights to Embed Sustainability into Business Processes



## Record: Actuals instead of Averages

Record 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



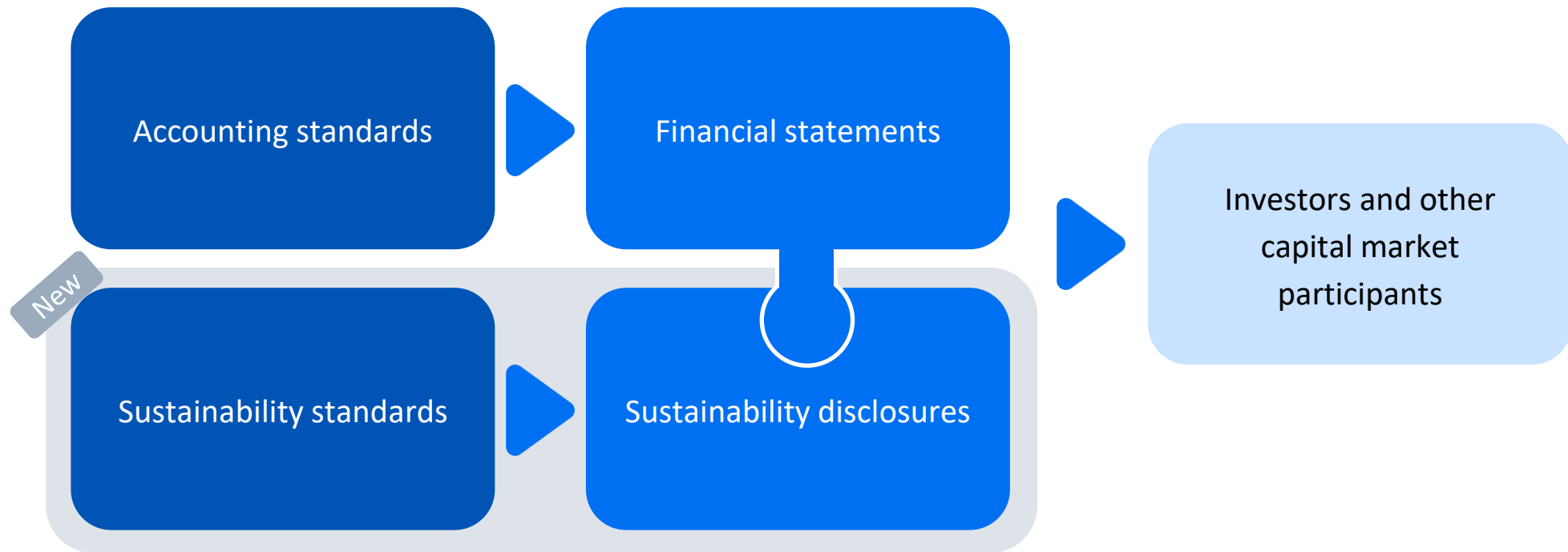


**"If you think compliance is expensive  
- try non-compliance."**

Former U.S. Deputy Attorney General Paul McNulty



# The evolution from financial to enterprise value reporting



Government Policy And Regulation

# Carbon Might Be Your Company's Biggest Financial Liability

by Robert G. Eccles and John Mulliken

October 07, 2021



NEW HBR APP

<https://hbr.org/2021/10/carbon-might-be-your-companys-biggest-financial-liability>

**Assume Scope 1&2 emissions of  
500,000 MT CO<sub>2</sub>e x \$50 \$/MT  
= 25,000,000\$**

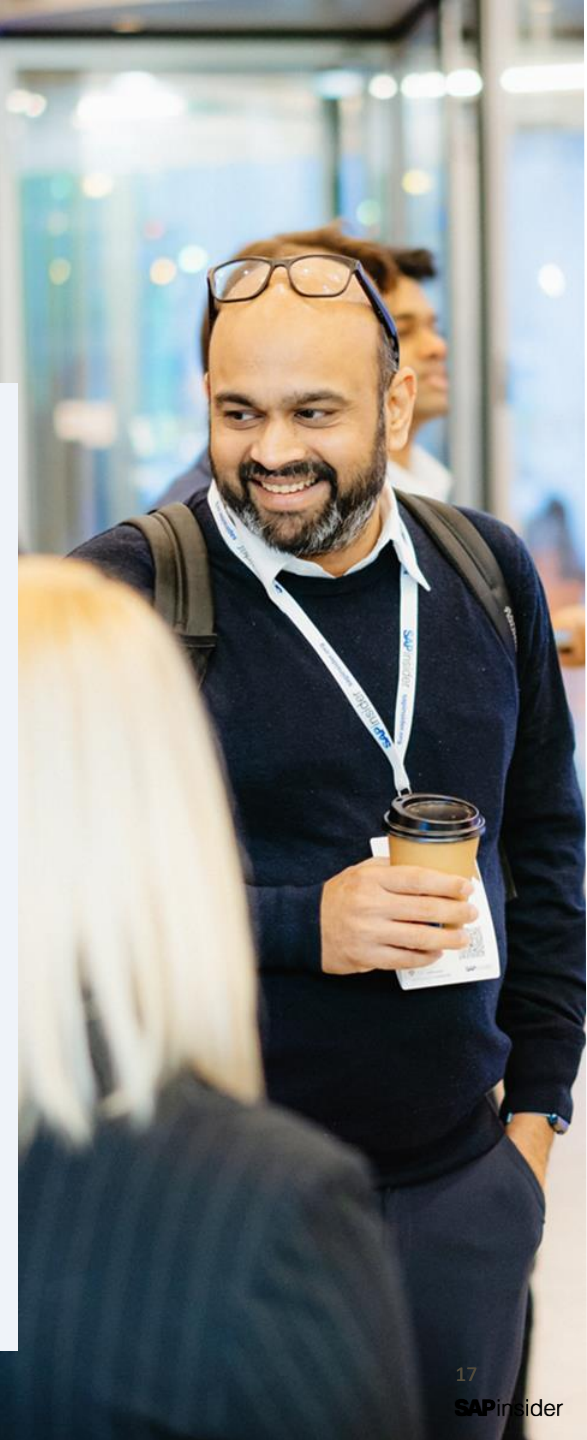
**Where is it?**



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# Our Vision: Manage carbon in sync with your financials

## Transactional Carbon Accounting

Pioneering the Green Ledger

Record, Report, Act on carbon in sync with financial data for every business transaction

### Unmatched Granularity

Drill-down into individual business transactions, like you would with financials, for effective budgeting and steering e.g. on cost center level

### Unmatched Accuracy

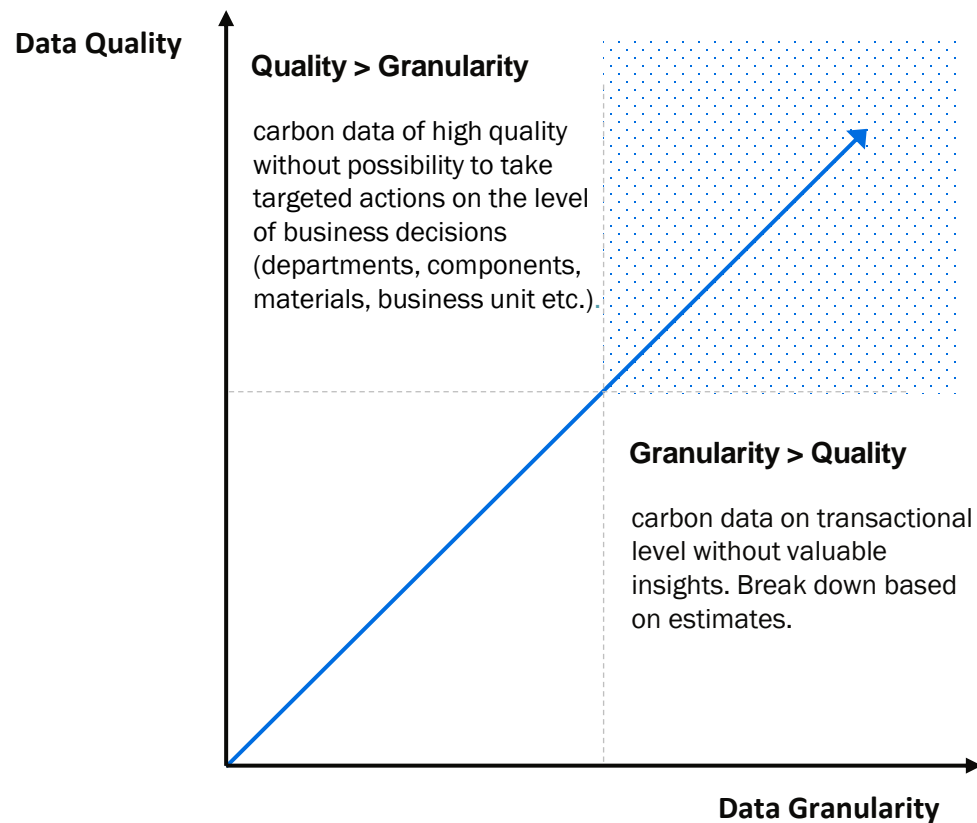
Make reliable decisions and reports using standardized and accurate data based on actuals and a common accounting methodology

### Unmatched Insights

Get carbon and financial data side by side to enable decision making at a required point in time



# Green Ledger is not a goal in itself but part of the bigger story of our climate action portfolio

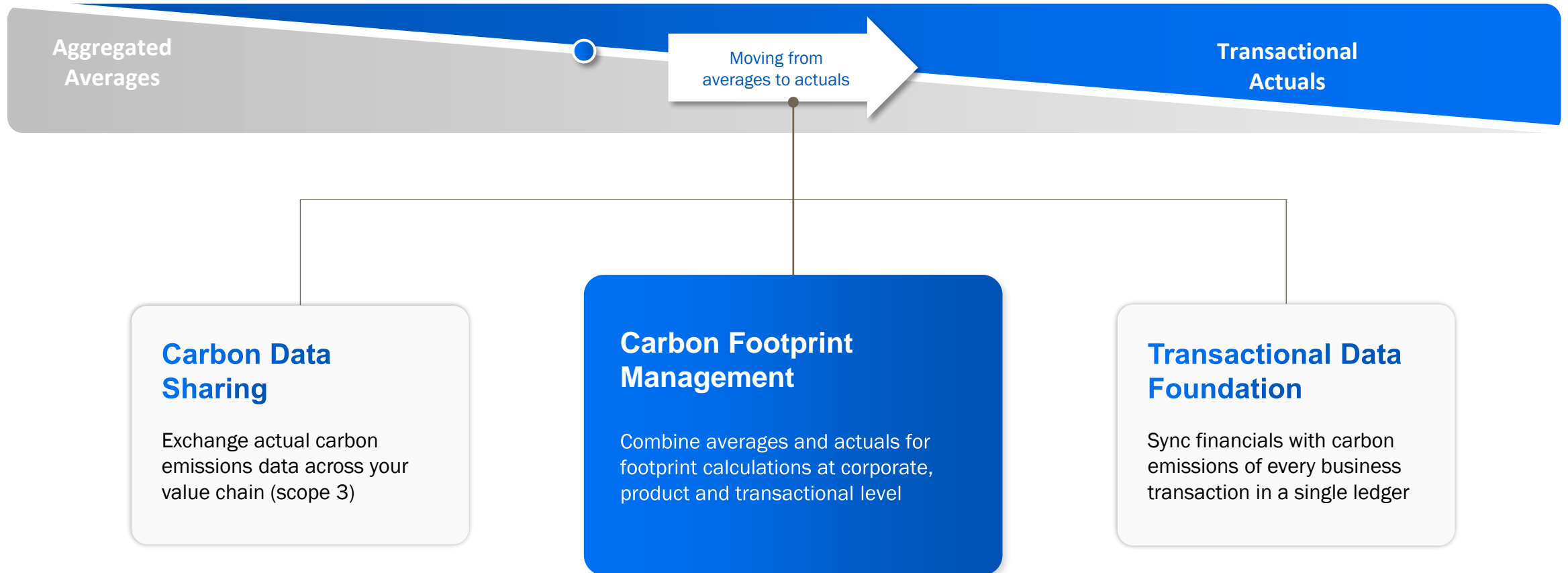


To drive targeted decision making companies need both: high quality data on a granular, transactional level

# Move from averages to actuals towards transactional accounting

Build future-proof capabilities today

## Transactional Carbon Accounting – **Pioneering the Green Ledger**

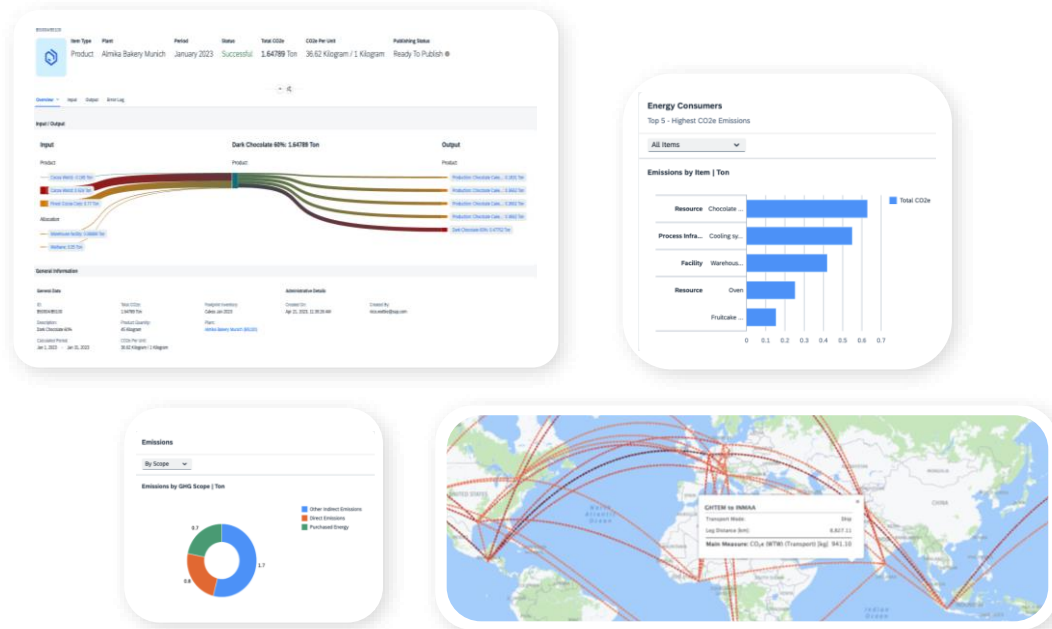




# SAP Sustainability Footprint Management

Climate Action  
Reducing Emissions

Decarbonize your value chain with carbon accounting software that calculates your corporate and product carbon footprint



Sustainability Frameworks and Databases (excerpt)



Greenhouse Gas  
Protocol



## RECORD: Easily leverage existing data with seamless integration and automation

Seamlessly integrate data from SAP S/4HANA, 3rd party data, supplier data, and facility energy flows for data acquisition and footprint distribution.

## REPORT: Get auditable corporate and product carbon footprints at scale

Assess your sustainability footprint with granular cradle to gate carbon footprint calculations that consider materials, transportation, and production.

## ACT: Decarbonize along business processes through granular transparency

Act on your reduction targets with carbon accounting software that supports Scope 1, 2 and 3 transparency and generates analytical insights from footprint data.

# SAP Sustainability Data Exchange

Achieve carbon neutral supply chains by requesting and sharing carbon data

Climate Action  
Reducing Emissions

Customer Footprint Exchanges

<input type="checkbox"/> Footprint	Customer	Exchange Status	Footprint Status
<input checked="" type="checkbox"/> Battery Pack	Cars&More Inc.	Requested	Valid
<input type="checkbox"/> Battery Pack	MobilityFleetz	Not received	Valid
<input type="checkbox"/> Battery Pack	CarTotal GmbH	Not received	Valid
<input type="checkbox"/> Charge Port	Cars&More Inc.	Not received	Valid
<input type="checkbox"/> Charge Port	MobilityFleetz	Sent	Valid

Footprint send

We will notify your customer that you have provided data.

Add comment to exchange

Footprint requested

We will notify your supplier that you have requested data.

Add comment to exchange

Battery Pack

Product Carbon Footprint

General Information | Footprint Data | Supplier | Customer\*

Footprint Details

Status

Valid

Associated footprints

Associated received

Footprint Data Owner

My Company (OEM)

Data at a Glance

Validity Period

Jan 1, 2023 - Dec 31, 2023

CO<sub>2</sub> Fossil Greenhouse Gas Emissions

4270 kg CO<sub>2</sub>e

Primary Data Share

2562 kg CO<sub>2</sub>e (60%)

Secondary Data Share

1708 kg CO<sub>2</sub>e (40%)

CO<sub>2</sub> Origin

4800 kg CO<sub>2</sub>e

Biogenic Carbon Content

130 kg CO<sub>2</sub>e (11%)

Fossil Greenhouse Gas Emissions

4270 kg CO<sub>2</sub>e (89%)

## Collaborate across your value chain

Enable sharing of actual product carbon footprints (PCF) across value chains with increased interoperability and data sovereignty of data owners

## Standardize data exchange

Simplify audits with standardized data models and workflows and exchange information seamlessly following industry frameworks and requirements

## Accelerate carbon reduction

Identify products or processes with high potential for CO2 reduction, avoid double emissions counting, and optimize footprints

In collaboration with

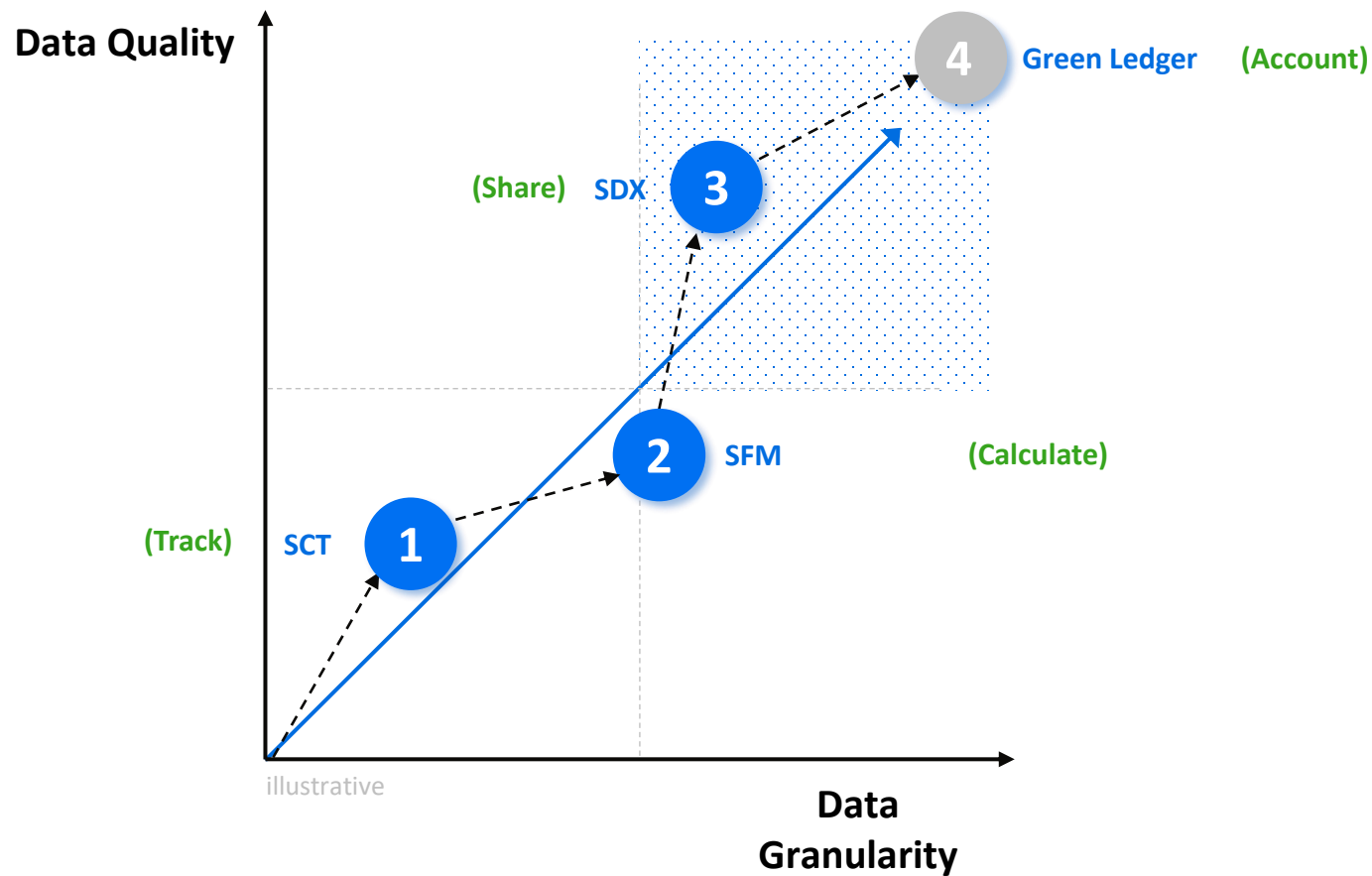
SAP Business  
Network

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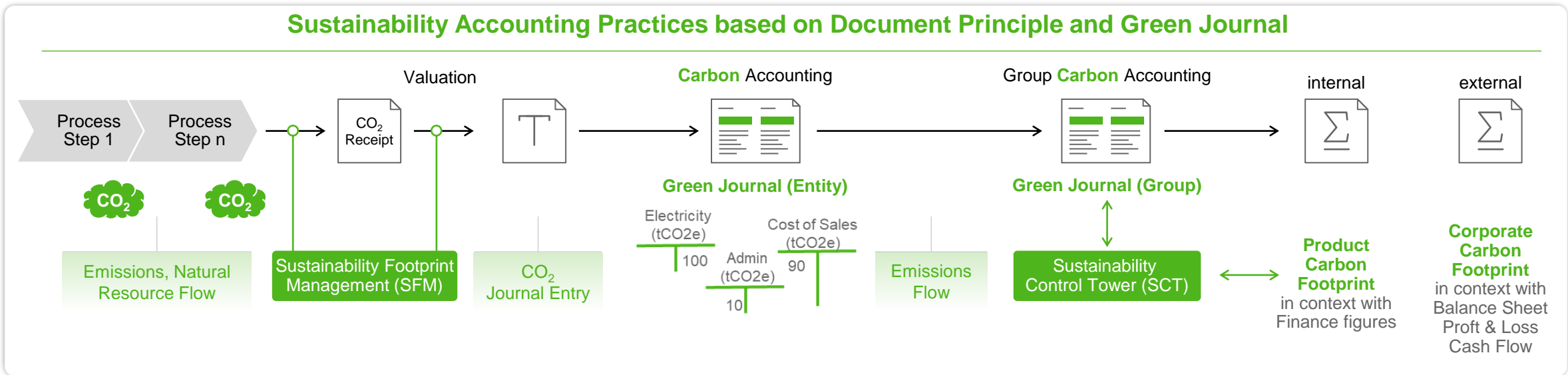
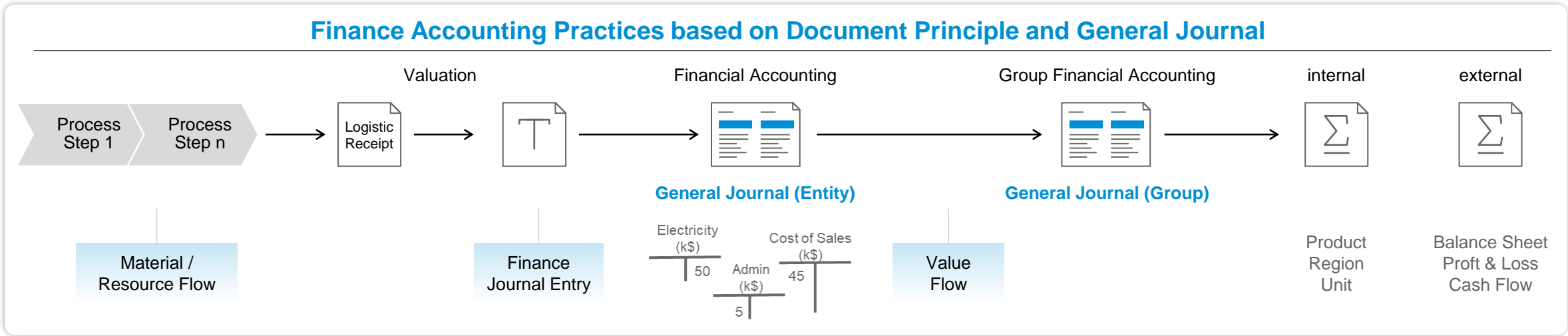
# The Path Towards Green Ledger Starts Now

Identify to reduce your **Carbon Liability**



To drive targeted  
decision making  
companies need both:  
high quality data on a  
granular, transactional  
level

# Finance Accounting as Blueprint for Carbon Accounting

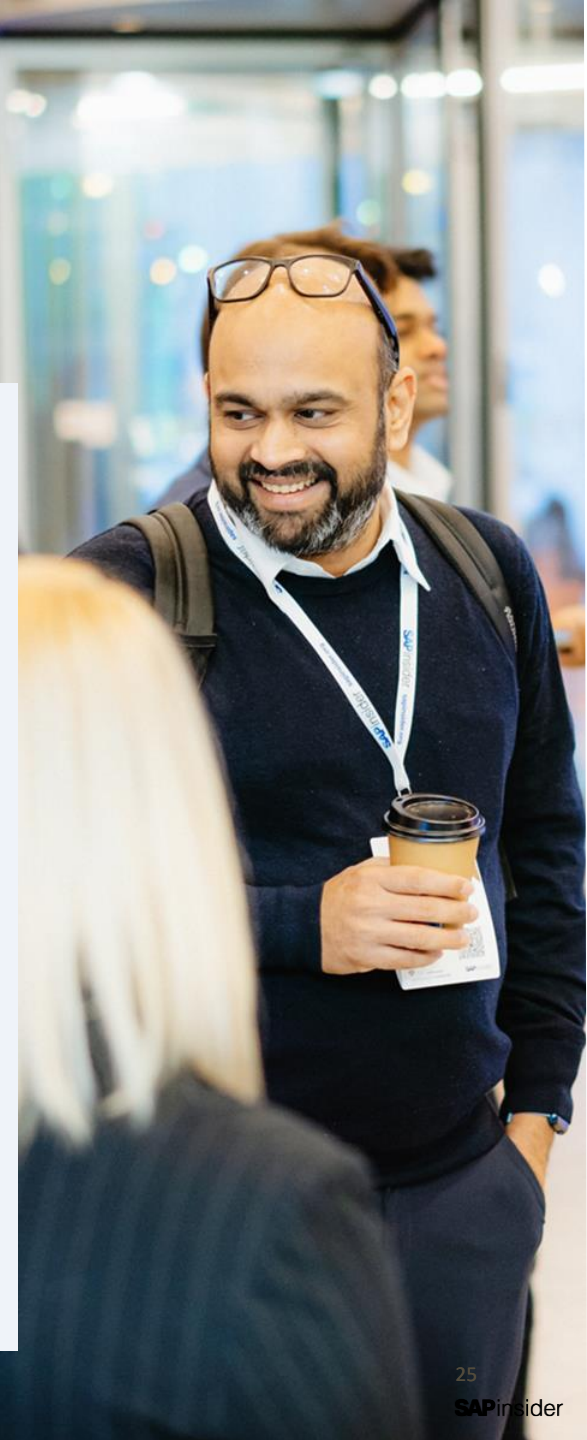




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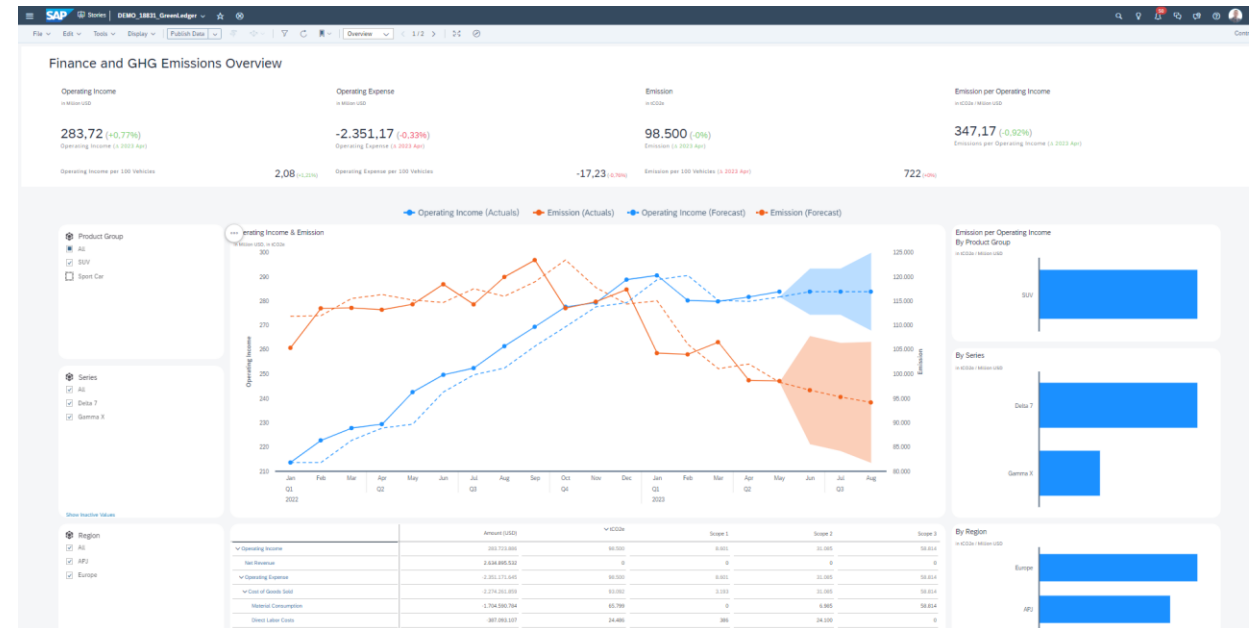
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# Green Ledger Can Help...

...to answer questions like:

- **What is your Carbon Liability?**
- **Which business area, cost center, profit center, segment, product group, sales organization, distribution channel (...) emits most greenhouse gases per \$ revenue you earn there?**
- **What are the main drivers for emissions in the company?**
- What is the financial impact of choosing different suppliers or investing in “greener” machines or processes?
- What would be the financial impact of a carbon tax?
- **Which cost centers, profit centers exceed their carbon budgets?**



## Value Proposition for Green Ledger

- Comply with upcoming reporting standards (ISSB, SEC, EFRAG)
- Ensure audit-proof accounting for Greenhouse Gas quantities in finance quality
- Steer business towards a decarbonized economy by understanding and analyzing environmental and financial performance in a connected manner
- Simulate financial impact of carbon taxes, prices of emission certificates and emission reduction measures
- Leverage the power of linking finance and emission data



# Embed sustainability into enterprise performance management

## Better decision foundation towards net zero

- Steer towards a decarbonized economy by understanding and analyzing environmental and financial performance in a connected manner
- Bring carbon data into correlation to financials to drive change

## Accelerate and master the sustainability transformation

- Operationalize carbon quantities and impact as part of the business & steering model (ESG adjusted decision making)
- Add sustainability data into the ERP business structures like cost centers, profit centers, accounts etc where decisions are taken

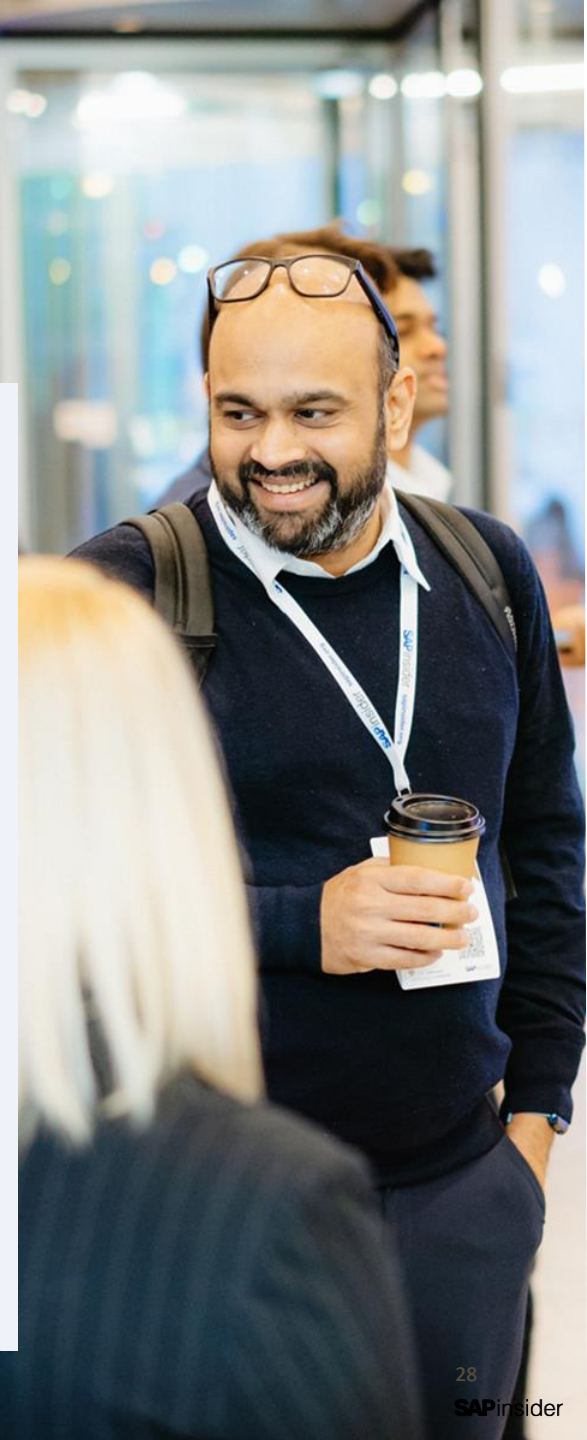
## Analyze, plan and forecast company value

- Integrate financial, ESG and value reporting into reporting and analytics
- Analyze and plan financial and sustainability value driving factors in combination with each other

# Agenda

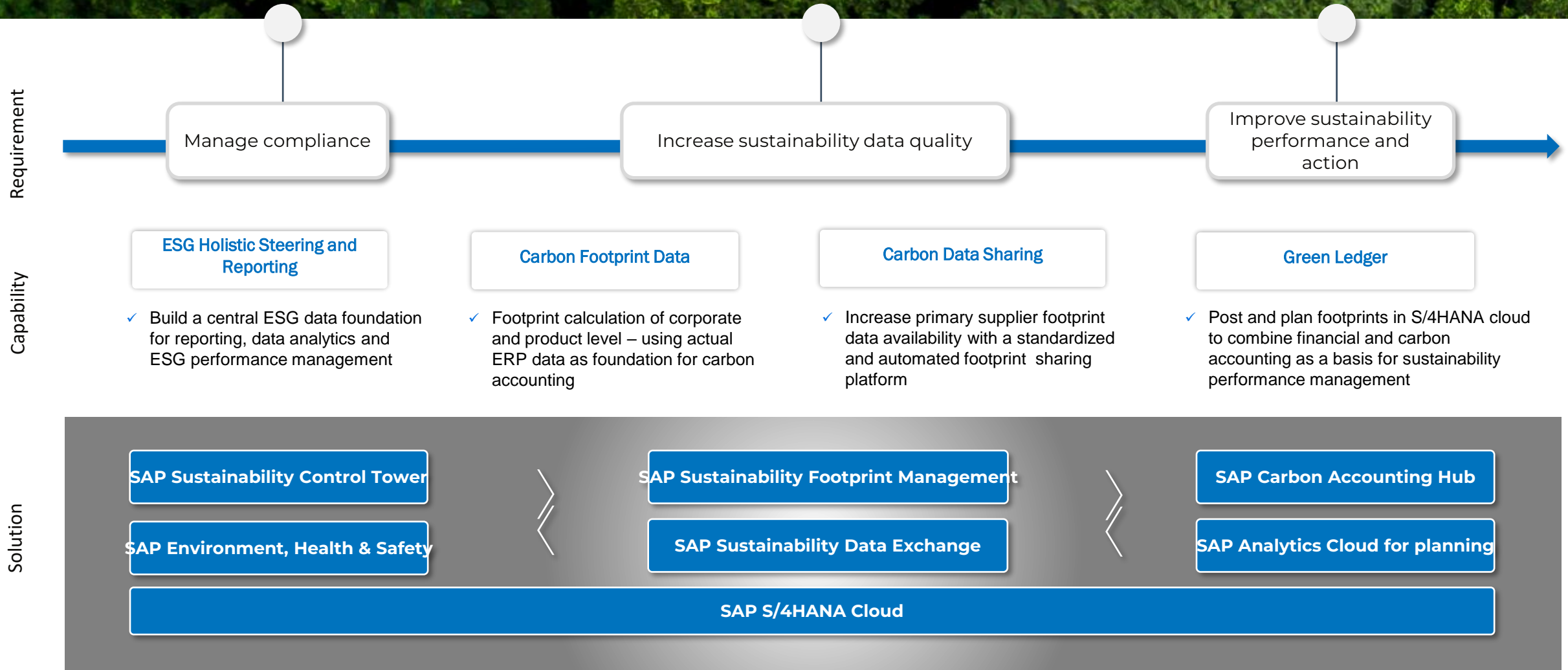
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- **Wrap-up**





# Sustainability Customer journey







# 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 Ledger**<sup>1</sup>



## Seamless E2E integration into business processes

Leverage **SAP systems**<sup>2</sup> 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**

# Key Points to Take Home

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- ✓ SAP provides solutions to enable intelligent, agile and **sustainable** business processes
- ✓ You can **start today** with solutions like SFM and SCT, enabling your business for the Green Ledger
- ✓ The Green Ledger initiative will provide you with **audit proof** GHG accounting, it will **combine** finance and emission data on transactional level and **simulate financial impact** of carbon taxes and prices.

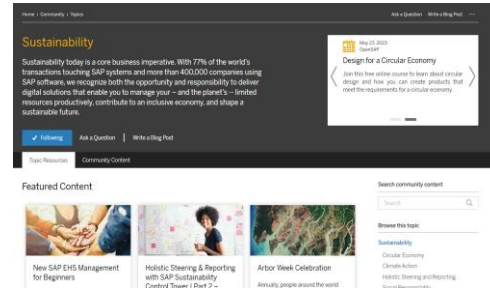


# Further Assets and Information



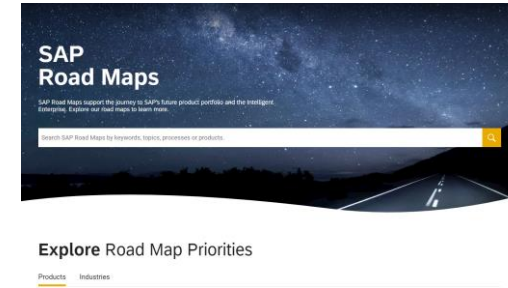
## SAP.com

[Sustainability Solutions, Software & Services | SAP](#)



## SAP Community

[Sustainability | SAP Community](#)



## SAP Roadmap Explorer

<https://roadmaps.sap.com/welcome#/>



## Sustainability Explorer

[Explore SAP Cloud for sustainable Enterprises](#)



Read the SAP and wbcSD carbon accounting white paper  
Learn more about [our vision towards carbon accounting](#),



## Thank You! Questions?

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Please remember to complete  
your session evaluation.

# SAPinsider



## SAPinsider.org

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