

GRC for ESG Reporting and Compliance

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Las Vegas

2024

SAPinsider



In This Session

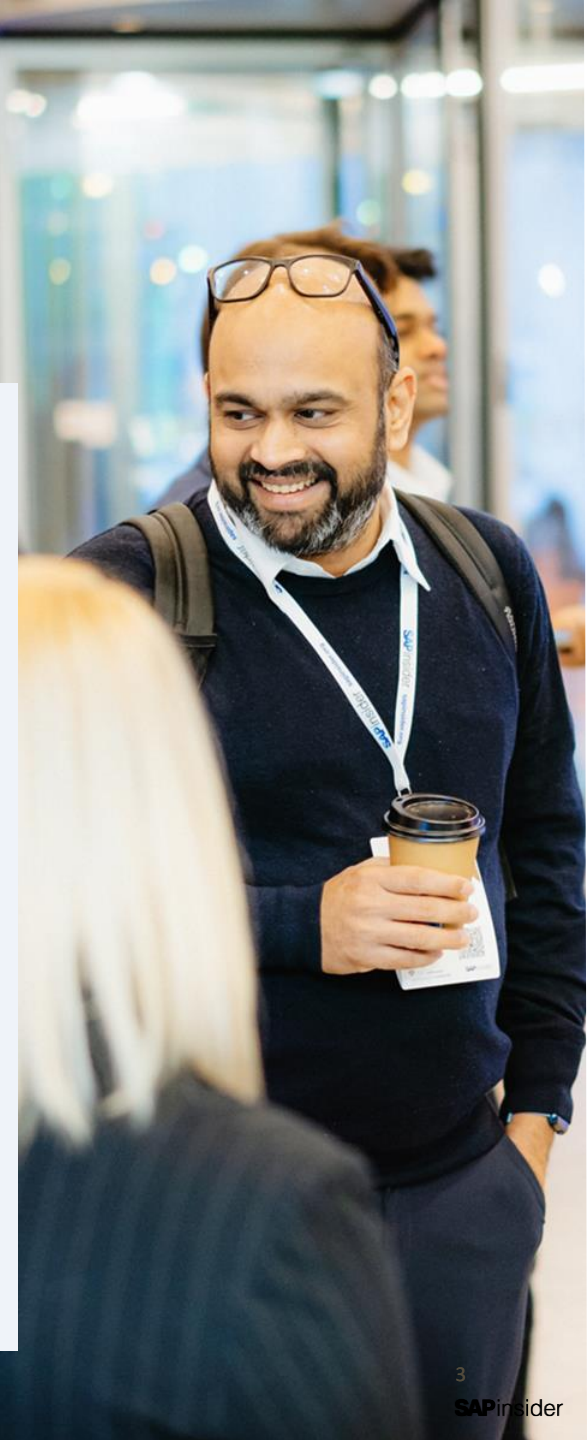
ESG is a growing topic and many companies are turning their attention to digitalizing this as they approach their first formal finance and sustainability filing and disclosures.

The main regulations around the world are underpinned by the TCFD framework, which is risk, control and governance based.

In this session you will learn how SAP GRC software can help you prepare for this process, how to automated where possible, and where integrations are being planned.

What We'll Cover

- Setting the ESG Scene
- End to End Concept
- GRC Software and Content
- Software Screenshots
- Wrap-Up





Setting the ESG Scene

What is causing pain?

Sustainability is more relevant than ever

At SAP, our belief is that data and process enabled technology that makes up the back-bone of how businesses are run today have the strongest potential to help solve the problem at the scope, speed and scale required for us to meet our net-zero ambitions. We know the challenges our customers have on their sustainability journey.

Customers

79%

of buyers are changing preferences based on sustainability

Investors

50%

of all professionally managed assets will be ESG-mandated by 2025

Employees

90%

of employees implied that a company's ESG efforts enhances job satisfaction

Regulators

>600

voluntary & regulatory ESG standards / frameworks currently exist

Companies

70%

of EBITDA could be at stake from sustainability challenges

Sustainability

- **Sustainability:** “The property of being environmentally sustainable; the degree to which a process or enterprise is able to be maintained or continued while avoiding the long-term depletion of natural resources.” Oxford English Dictionary.
- Long-term **stakeholder value** by creating a **sustainable business strategy** which addresses the needs of the environmental, social, and financial systems within which a business operates.
- Develop systems which can exist indefinitely, “**take only what you need**”
- Opposite: greenwashing - the company uses exaggerated claims to position itself as sustainable

ESG

- **Environment, Social and Corporate Governance (ESG)**: an approach to evaluate the extent to which a corporation works on behalf of social goals that can reach **beyond the role of a corporation**, and maximize profits on behalf of the corporation's shareholders.
- **ESG sets global-use criteria** to define environmental (includes greenhouse gas emissions, energy use), social (includes fair labour practices, human rights), and governance (anti-bribery, corruption, board diversity) systems as sustainable.
- An ESG approach ensures that **investors and other stakeholders** have access to the information they need to **assess and compare investment risks** arising from climate change and other sustainability issues **around the world**.
- Example ESG reporting frameworks are Global Reporting Initiative (GRI), World Economic Forum (WEF), Corporate Sustainability Reporting Directive (CSRD) which uses European Sustainability Reporting Standards (ESRS)

Regulatory Scope

In the United States, the SEC requires all public companies to disclose information that may be material to investors, including information on ESG-related risks, and has issued guidance and rules setting forth its disclosure expectations.

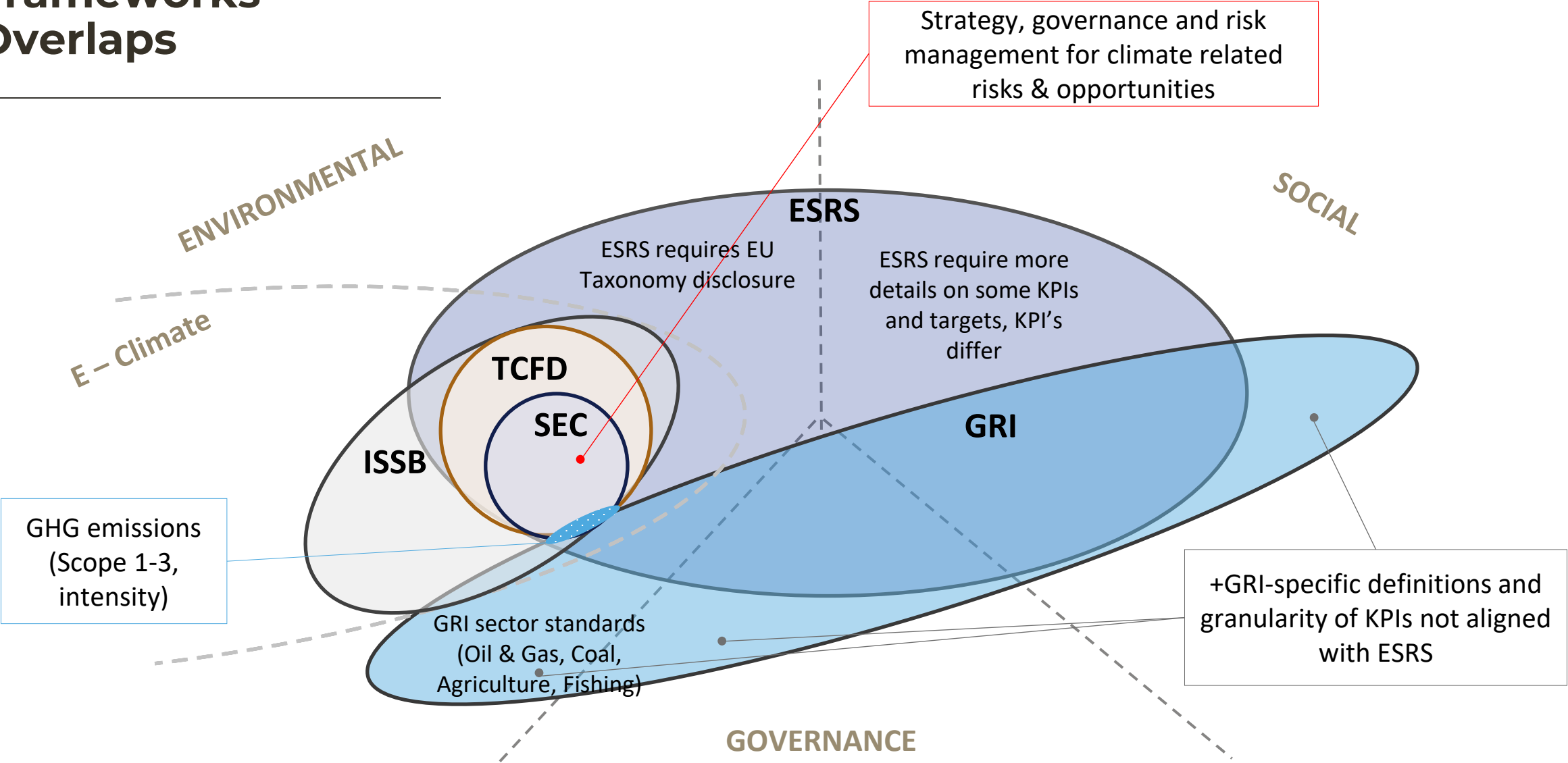
The SEC is also anticipated to release additional proposed rules on human capital and board diversity.

European Commission and European Financial Reporting Advisory Group (EFRAG) & Corporate Sustainability Reporting Directive (CSRD) scoping and reporting considerations for US:

Most companies with **listed securities in the EU, non-EU parents (including US companies)** with substantial activity and a presence in the EU, and non-EU subsidiaries of companies that meet the scoping requirements. US and other non-EU based companies that do business in the EU need to consider whether they will be subject to the CSRD.

Companies must follow the European Reporting Standards (**ESRS**) to comply with CSRD.

Common ESG Frameworks – Overlaps



It Doesn't have to be about ESG



GRI 305: EMISSIONS
2016



GRI 302: ENERGY
2016



GRI 303: WATER AND EFFLUENTS
2018

GRI 305

Financial impacts of Climate change:

- Flooding / drought on farming
- Heat/cold on rail & electrical infrastructure
- Water quality supply / pollution

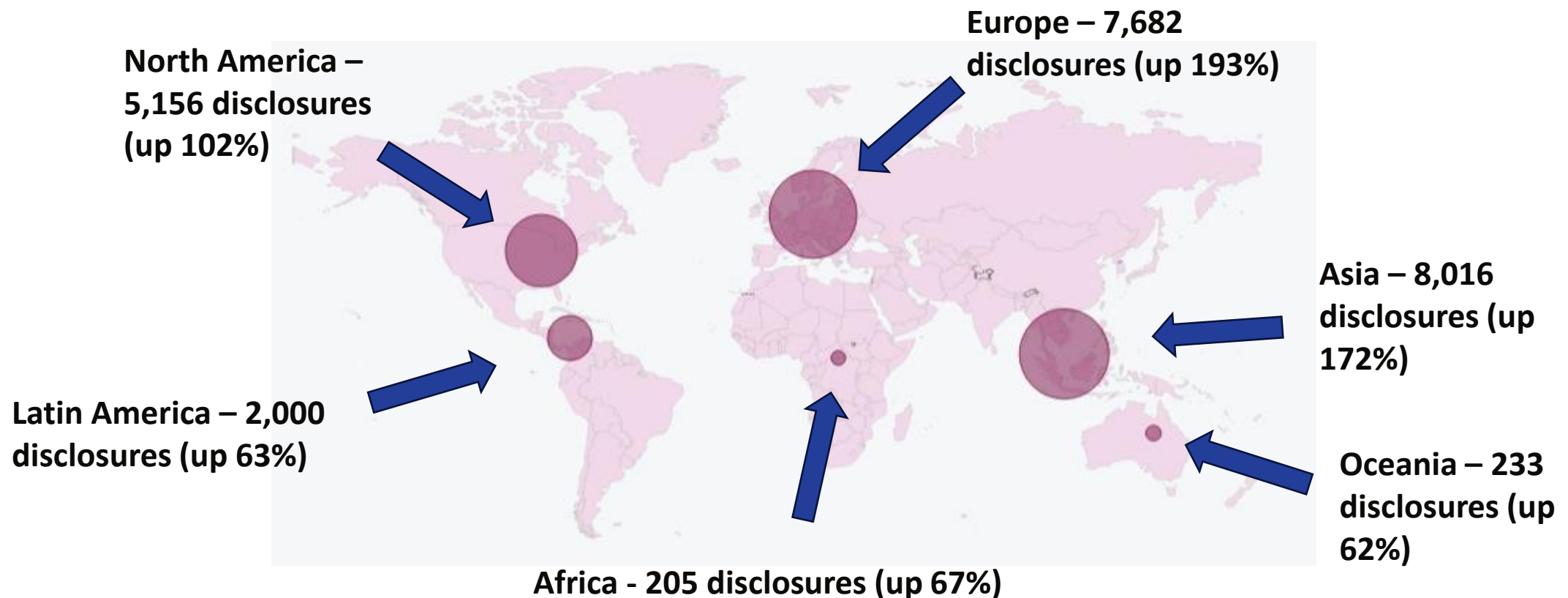


GRI 205: ANTI-CORRUPTION
2016

2023 CDP Reporting

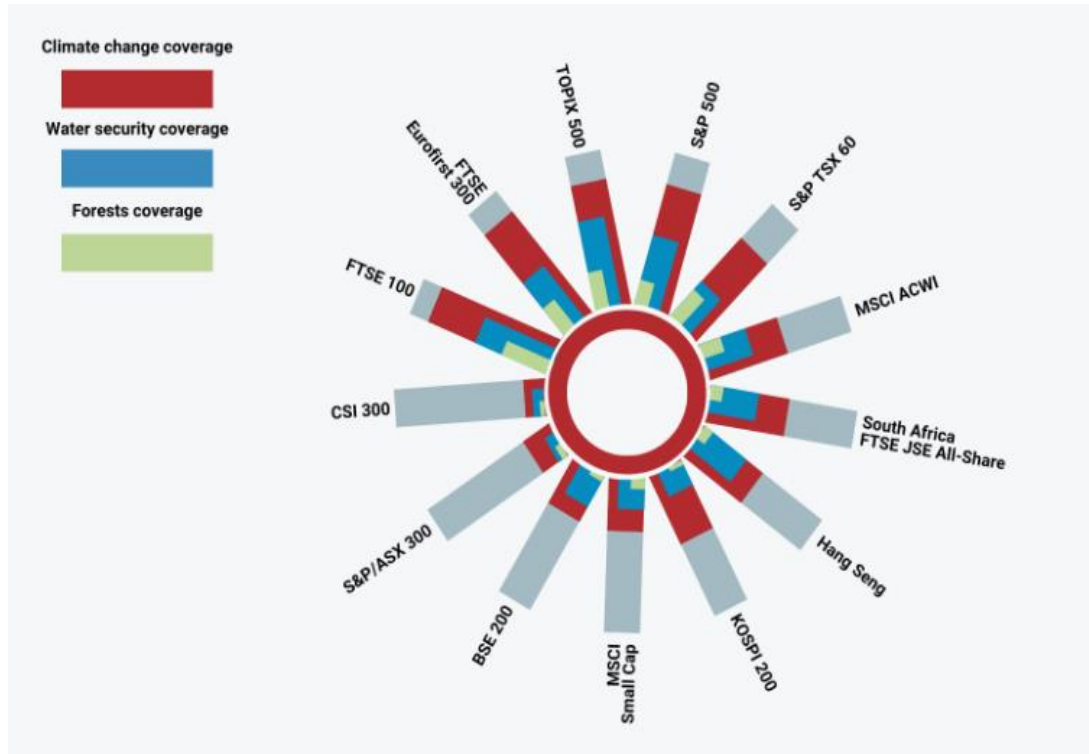
In 2023, disclosure numbers rose by 24% from the 18,700+ companies that disclosed through CDP in 2022 – and marked an over 140% increase from disclosure in 2020.

8,000 companies started their journey by disclosing for the first time.



2023 CDP Reporting

Companies in key market indices across the globe are disclosing environmental data to CDP.



Market Index	Climate change coverage
S&P 500	86%
FTSE 100	94%
MSCI ACWI	61%
MSCI Small Cap	40%
TOPIX 500	88%
FTSE Eurofirst 300	91%
South Africa - FTSE JSE All-Share	57%
BSE 200	40%
S&P TSX 60	78%
KOSPI 200	54%
Hang Seng	54%
CSI 300	18%
S&P/ASX 300	27%

Environmental disclosure is becoming a global market norm, as seen by the increase in disclosures across all regions and the coverage of market indices across developed and emerging markets.

With many disclosing companies operating in regions anticipating mandatory disclosure, **voluntary disclosure allows them to gain a competitive edge** and positions them ahead of the trend.

Sustainability

ESG Ratings - The largest ESG rating providers are **MSCI** and **Sustainalytics**, mainly due to their wide coverage. **Bloomberg**, and **Refinitiv** (formerly Thomson Reuters) as well as credit ratings agencies such as **Moody's**, **S&P** and **Fitch** also provide ESG ratings.



Focus topic:

Employee Sentiment

Your biggest asset, your people, really care about how well you define and meet your ESG duties.

- Attraction and retention of talent.
- Green credentials are a criterion for picking a company, and for accepting an employment offer.
- Today's workforce wants to be part of a company that is working to make the world a better place when it comes to sustainability, social justice, and other defining issues.
- Your emerging C-suite, investors, partners, lobbyists & influencers etc. are ESG savvy.

End to End Concept

How we address pain points



TCFD: Foundation to ESG Frameworks



- **Governance:** The organization's governance around ESG-related risks and opportunities.
Document & enforce who is responsible
- **Strategy:** The actual and potential impacts of ESG-related risks and opportunities on the organization's business, strategy, and financial planning.
What is your business doing and why, vision & transition
- **Risk Management:** How ESG-related risk are identified, assessed, and managed.
What are the most important impacts, risks and opportunities to surface, are they mitigated
- **Metrics & Targets:** Metrics and targets used to assess and manage relevant ESG-related risks and opportunities.
How are you performing against objectives, sustainability-related risks and opportunities, KPI's, competitors

The virtuous circle for holistic business transformation

1. Manage business processes

Run business processes at their best

2. Create transparency with data

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

3. Planning & Target Setting & Forecasting

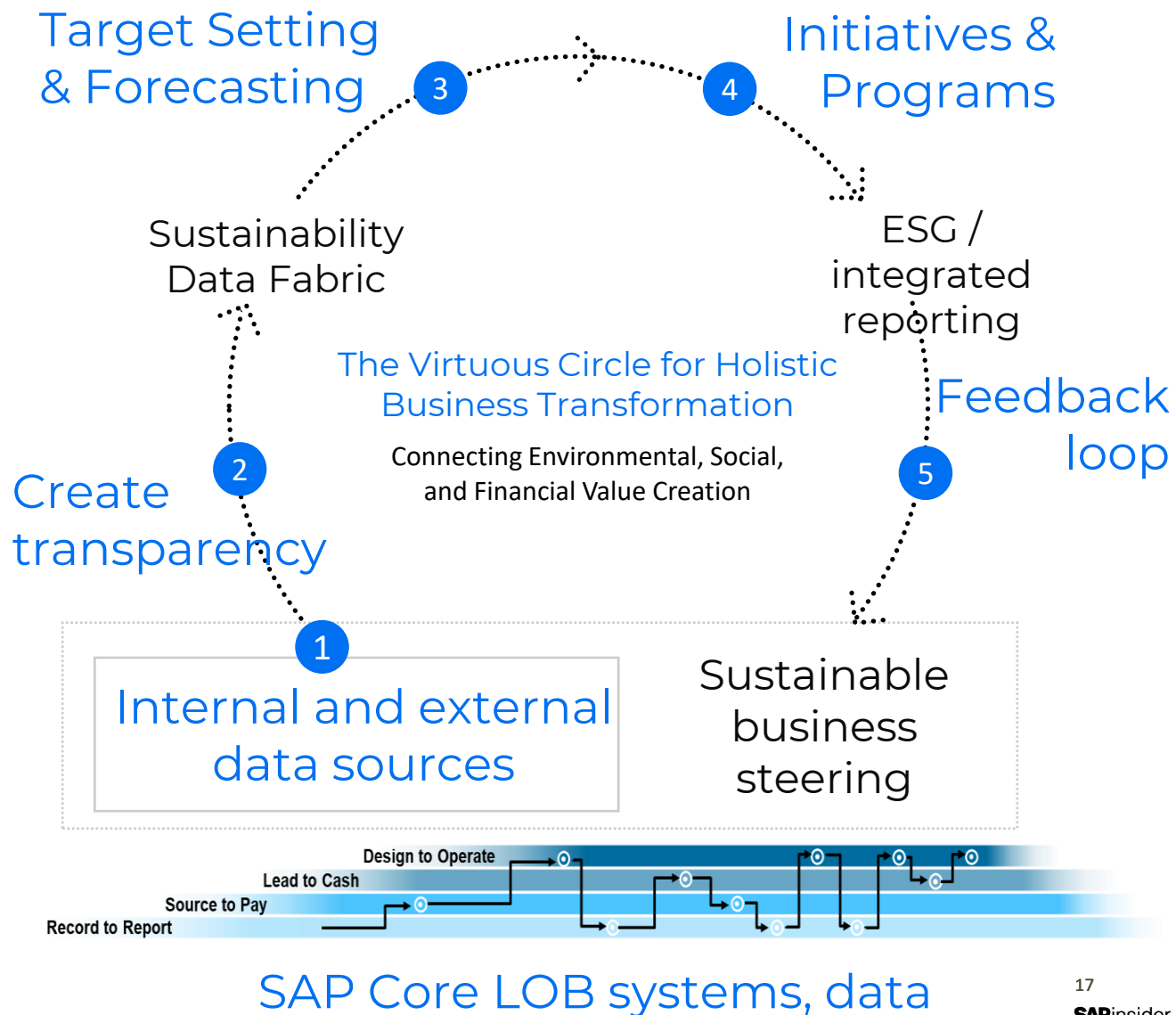
Define and plan against your Sustainability ambitions

4. Initiatives and Programs

Taking action and monitoring progress

5. Feedback loop and improvement

Embed relevant sustainability information into business processes to impact total performance at the point of decision-making



Transform into a sustainable future with SAP

RECORD

Move from averages to actuals with data across the entire value chain

REPORT

ESG KPIs for most relevant frameworks with built-in audit & assurance

ACT

Embed sustainability into your business DNA & drive transformation

Adopt SAP Sustainability Control Tower to..

Enable compliant ESG reporting

Gain transparency & insights on ESG

Improve ESG performance

Set and achieve ESG targets

Ensure assurance & auditability of ESG

Engage with the ESG ecosystem

Integrate ESG performance directly with financial close



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 additional upcoming mandatory standards.”

Prepare

Discovery & Advisory Services

- Determine your single materiality ESG KPI's
- Use SCT's **TCFD framework** to track KPI's and data

Record

Sustainability Control Tower

- Collect **TCFD** data with **integration to SAP S/4HANA**
- Track every step with **audit and assurance**

Report

Sustainability Control Tower

- Integrate period close & fin. data
- **Regulatory reporting**
- **Structure TCFD risks against financials, mitigate fin. risk**

Act

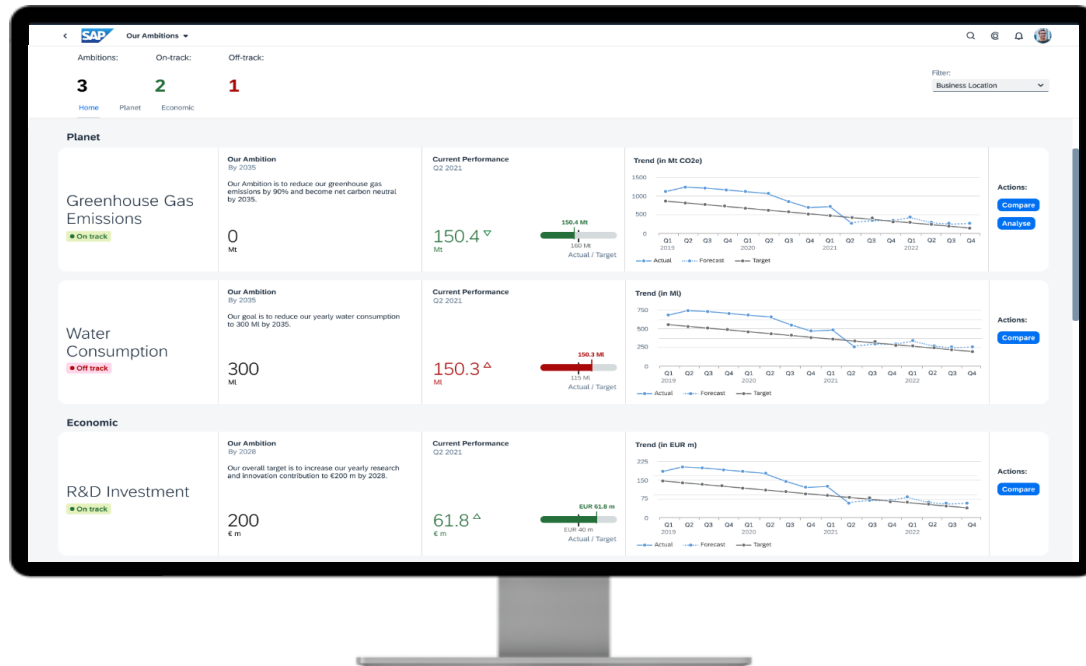
Sustainability Control Tower

- **TCFD impairments** to SAP S/4HANA fin. income statement
- **Manage finance & ESG risks side by side** incl treasury

SAP S/4HANA

SAP Sustainability Control Tower

Automated, auditable, compliant reporting with actual data & insights to embed sustainability into business processes



Standard semantic frameworks supported



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 based on an open & extensible solution with the largest ESG ecosystem

Act: ESG embedded in business processes
Act by planning your future with actionable insights, forecasts and setting targets; track initiatives & optimize business processes to make an impact

Regulation: ESRS

Reporting Structure

Sector-agnostic standards			
Cross-cutting standards	Topical standards		
	Environment	Social	Governance
	ESRS E1 Climate change	ESRS S1 Own workforce	ESRS G1 Business conduct
	ESRS E2 Pollution	ESRS S2 Workers in the value chain	
	ESRS E3 Water and marine resources	ESRS S3 Affected communities	
	ESRS E4 Biodiversity and ecosystems	ESRS S4 Consumers and end-users	
	ESRS E5 Resource use and circular economy		

In effect starting this year, reporting in 2025 for the first companies

Companies with listed securities in the EU, non-EU parents (including US companies)

Carbon Subledgers in SAP S/4HANA – Greenhouse gas info

ccf-716.devsys.net.sap/ui#MaterialCostEstimate-create?sap-ui-tech-hint=GUI

SAP Create Material Cost Estimate with Quantity Structure

Menu Display Next Material Costing Structure Off Detail List On Hold Information on Cost Estimate Log with All Messages Switch Currency

Costing Structure Total value Currency Quantity Unit of Measure Resource TotalCO2e UnitTotCO2e

Cookie	657,37	EUR	1,000	PC	1010 COOKIE	437,335	KG
Flour	24,00	EUR	30	KG	1010 FLOUR	24,000	KG
Sugar	18,00	EUR	12	KG	1010 SUGAR	6,600	KG
Butter	140,00	EUR	20	KG	1010 BUTTER	338,400	KG
Egg (free range)	43,42	EUR	167	PC	1010 EGG	44,255	KG
Chocolate chips	158,40	EUR	16	KG	1010 CHOCOLATE_CHIPS	18,080	KG

Material: COOKIE
Plant: 1010

Costing Data Dates Qty Struct. Valuation

Costs Based On: Costing Lot Size

Cost Component View	Total Costs	Fi
Cost of Goods Manufactured	657,37	
Cost of Goods Sold	657,37	
Sales and Administration Costs	0,00	
Inventory (Commercial)	657,37	
Inventory (Tax-Based)	657,37	

Cost of Goods Manufactured

CO2e Column now possible

Only available for greenfield S/4HANA implementations >= S/4HANA 2402



GRC Software and Content

Helps you jump start

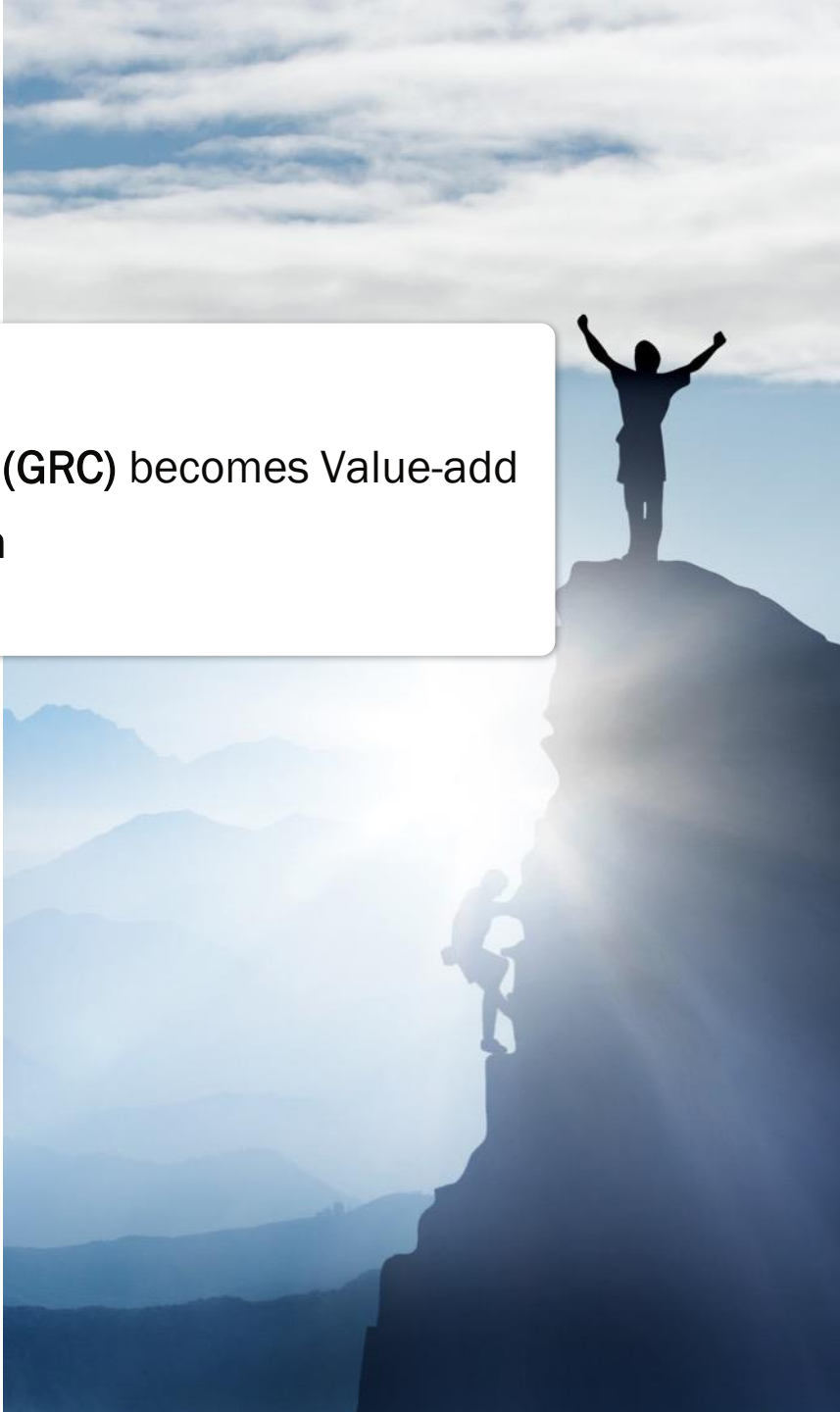
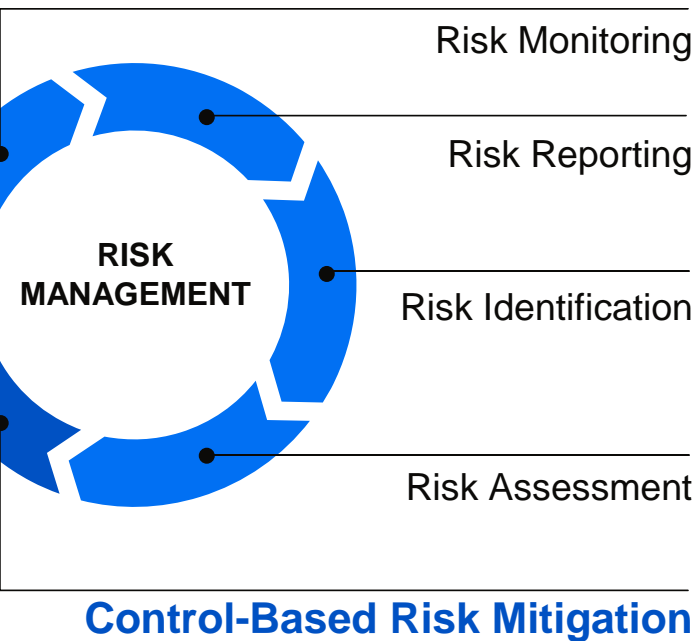
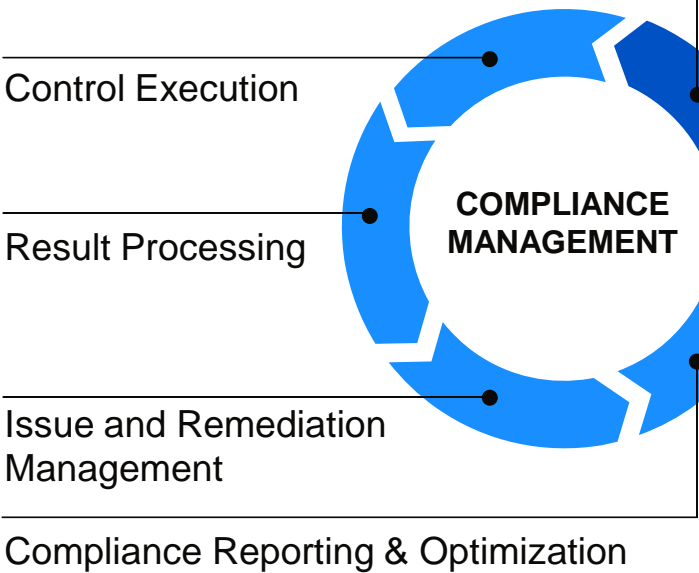
Examples based on SAP Risk and Assurance Management

Next-generation
GRC control & risk
solution for public cloud

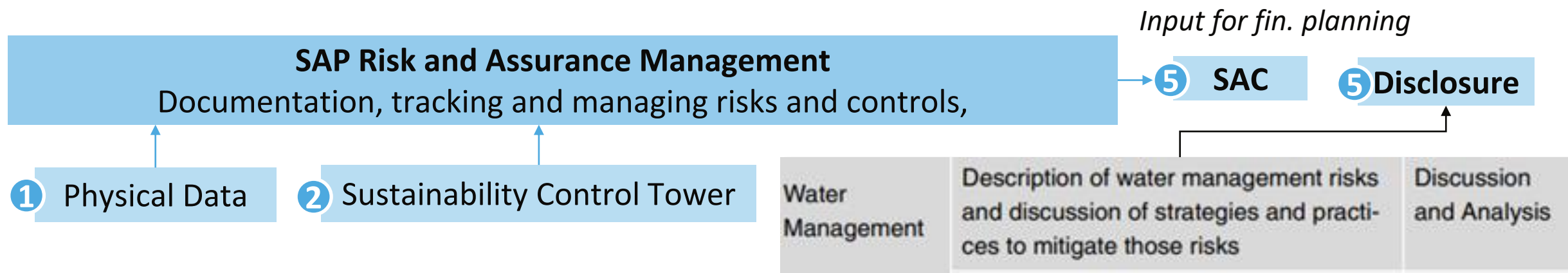
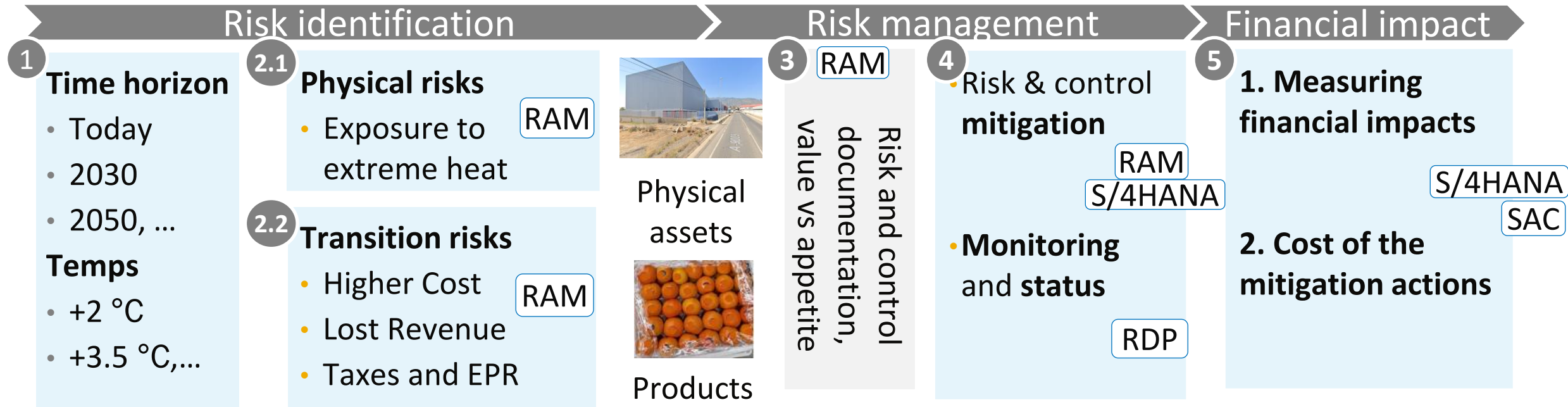


- Leverage one platform
- Governance, risk, & compliance (GRC) becomes Value-add
- Solution and Process integration

Risk-Based Control Management



A Risk and Control Assessment Example



SAP Baseline Content

SAP Risk and Assurance Management ships with over 75 rules for use as Automated Procedures:

- 3 for Tax Compliance
- 2 for ESG

These can be added to by customers.

Partners will produce and sell their own content packages too, via the GRC Content Hub Service.

<https://help.sap.com/viewer/eb2cb166f76248bdba43bf04fcd143e/1.0/en-US/c6bccce22805495c8c2432209bf80474.html>

[<Previous](#)

Content Overview ☆

The content for SAP S/4HANA Cloud involves checks on business data and transactions in SAP S/4HANA Cloud to help detect non-compliant activities or activities that may pose risks.

Prerequisites

In order to use the content for SAP S/4HANA Cloud, you first need to perform the following actions:

1. Establish a connection to SAP S/4HANA Cloud. For instructions, see [Connectivity](#) in the *Administration Guide for SAP Financial Compliance Management*.
2. Follow the [Set-up Instructions](#) for Scope Item 3KY.

Content Overview

Content Item			Minimum Release Required
Controls	Automated Procedures	Manual Procedures	SAP S/4HANA Cloud
Journal Entries			
Check General Journal Entries Entered on Weekends	Extract General Journal Entries Entered on Weekends	N/A	2102
Period End Cut-Off	Extract Journal Entries Posted for Past Fiscal Period	Cut-Off Testing	2102
Check for Duplicate Journal Entries	Duplicate Journal Entries with Same General Ledger Account and Description	N/A	2105
	Duplicate Journal Entries with Same Amount and Description	N/A	2105
	Duplicate Journal Entries with Same General Ledger Account and Amount	N/A	2105
Investigate Journal Entries	Journal Entries Posted by General Ledger Accounts Not Used for Specified Amount of Time	N/A	2105
	Journal Entries That Exceed Defined Threshold Amount	N/A	2105
	Journal Entry Items That Exceed Defined Threshold Amount	N/A	2105
Check Manual Postings	Manual Postings Created By Dialog User Accounts	N/A	2105
Check Intercompany Bookings	Intercompany Bookings with No Trading Partner	N/A	2105
Check Purchase Orders with Goods Receipts	Purchase Orders with Cleared Invoices and No Goods Receipt	N/A	2105
	Purchasing Document Items With Overpaid Goods Receipts	N/A	2105
	Purchase Order Items Where Delivery of Excess Goods is Possible	N/A	2105
Suppliers			
Check Suppliers	Blocked Suppliers with Open Items	N/A	2105
	Suppliers with Duplicate Invoice Check Disabled	N/A	2105
	Suppliers with Evaluated Receipt Settlement Enabled	N/A	2105

Business Content Providers - Summary

- SAP: 70+ rules, 5 more in 2402, 8x for IT Controls, list for 2408
- Winterhawk: 12x industries content packs, **SAP ESG pack**
- Turnkey: Created most of baseline content, Implementation starter pack, (BIS & PC rules), **SAP ESG capabilities**
- EY (Germany): 140+ tax compliance rules
- PwC (UK): Tax compliance managed service with own rules
- KPMG: Looking to start tax
- Deloitte (Nordics): **SAP ESG centre of excellence**
- Big4 & SI in general: have own PC rules to convert, with advisory and implementation skills

Partner Content ESG

Example: Winterhawk



The GRI Standards enable any organization – private or public – to understand and report on their impacts on the economy, environment and people.



CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.



The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information.



World Economic Forum (WEF) is the International Organization for Public-Private Cooperation. The Forum engages the foremost political, business, cultural and other leaders of society to shape global, regional and industry agendas.



Sustainability Accounting Standards Board (SASB) SASB Standards guide the disclosure of financially material sustainability information by companies to their investors



PRI stands for the Principles for Responsible Investment and is the United Nations' framework to help investors



The UN Global Compact is a call to companies to align their strategies and operations with ten universal principles across Human Rights, Labour, Environment and Anti-Corruption



The Streamlined Energy and Carbon Reporting Regulation (SECR) makes it mandatory for large businesses in the UK to annually report on their energy and carbon emissions



The Science Based Targets initiative (SBTi): Defines and promotes best practice in emissions reductions and net-zero targets in line with climate science.



The International Sustainability Standards Board (ISSB) is an independent, private-sector body that develops and approves IFRS Sustainability Disclosure Standards



CDSB is an international consortium of business committed to advancing and aligning the global mainstream corporate reporting model .



The IIRC framework, also known as the international framework, is a coalition of non-profits, NGOs, accounting experts, regulators and investors who study the international marketplace and publish new corporate reporting standards to support businesses in reporting.



Corporate Sustainability Reporting Directive (CSRD) regulation will ensure that investors and other stakeholders have access to the information they need to assess investment risks arising from climate change and other sustainability issues. Qualifying companies must follow the European Reporting Standards (ESRS) to ensure that their reports comply with the established requirements in CSRD



UN's Sustainable Development Goals / SDGs

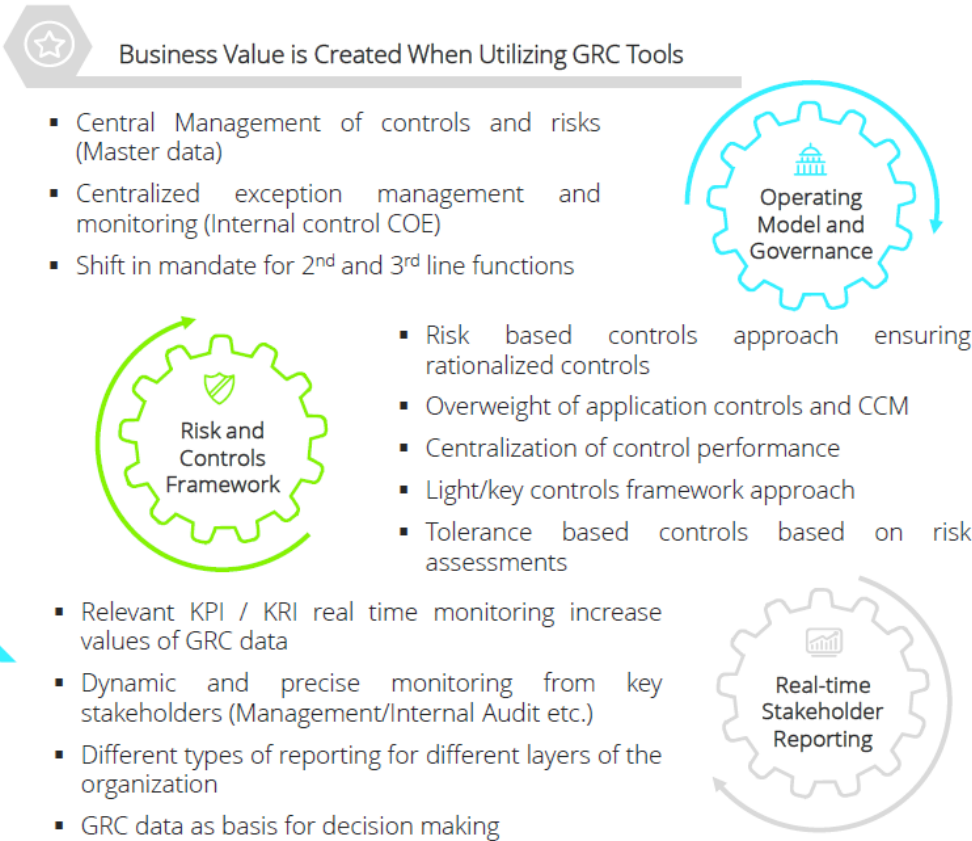
Deloitte PoV

Bridge Between ESG and GRC

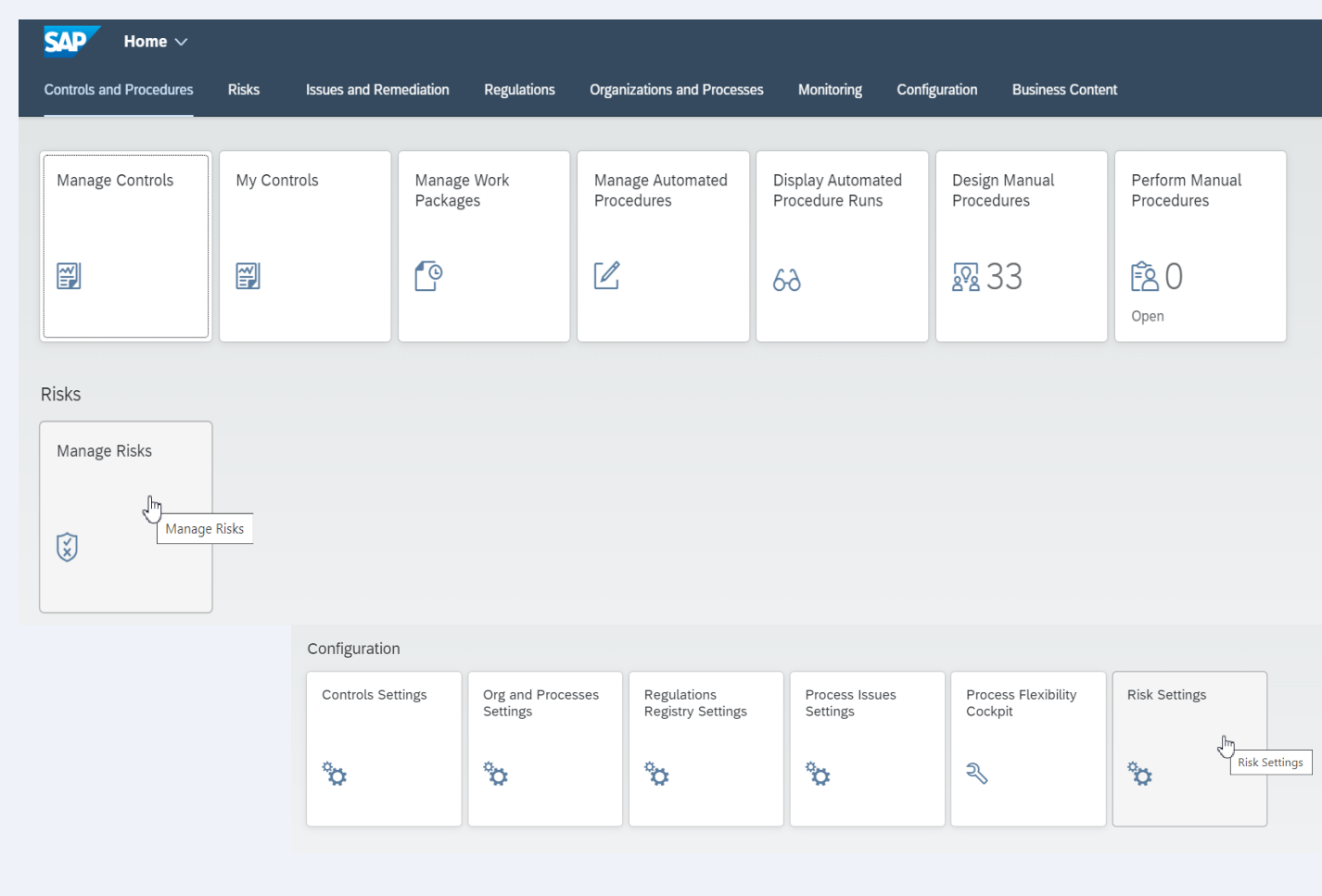
Now more than ever, risk and controls technology will act as a “true enabler” to provide a scalable platform for integrating ESG related risks and controls with the wider framework for reporting.

GRC (Governance, Risk and Compliance) responsibilities are crucial part of corporate governance since the SOX (Sarbanes-Oxley) Act is in action. With the new and upcoming regulatory requirements to meet ESG objectives, it is crucial for organizations to consider ESG objectives within their GRC framework.

SAP solutions can provide a full suite of powerful tools to manage GRC framework, integrate it to the organization's operations and strategy and stay in compliance with regulatory requirements.



Software Screenshots



ESG Framework in SAP

Risk and Assurance Management

EXAMPLE



SAP Analytics Cloud

A. Example Objectives/Goals

Objective/Goal

- 1.Increase market penetration by 25% over next 3 years
- 2.Carbon neutral by 2030
- 3.ESG and Financial alignment by 2030
- 4.Green energy and water sourcing

Risk

B. Example Risks

- 1.Revenue loss damage
- 2.Employee churn
- 3.Higher Costs

Control

C. Example Controls

- 1.Reduce water-dependent suppliers
- 2.No Greenwashing
- 3.Scheduled supplier costs reviews

Asset*

Organisation

Processes

Regulations

Percentage of agricultural products sourced from regions with High or Extremely High Baseline Water Stress	Quantitative
Gross global Scope 1 emissions	Quantitative

* [Link](#)

Perform Control

D. Example Control Eval

- 1.Test & rank susceptible suppliers
- 2.ESG framework signoff
- 3.Reduce cost Y on Y by 15%

SAP Sustainability Control Tower * [Link](#)



Automate

* Expected Q1-2024

Two New Tiles

SAP

Home

Controls and Procedures

Risks

Issues and Remediation

Regulations

Organizations and Processes

Monitoring

Configuration

Business Content

Manage Controls

My Controls

Manage Work Packages

Manage Automated Procedures

Display Automated Procedure Runs

Design Manual Procedures

33

Perform Manual Procedures

0

Open

Risks

Manage Risks

Configuration

Controls Settings

Org and Processes Settings

Regulations Registry Settings

Process Issues Settings

Process Flexibility Cockpit

Risk Settings

Manage Risks

Risk Settings

Risk Settings – Good Details

Risk Settings

Edit

▼

Ctrl+E

Changed By: neil.patrick@sap.com
Changed On: Jan 11, 2024, 6:54:43 PM



- Risk Categories
- Business Objectives
- Cause Categories
- Impact Categories
- Impact Levels
- Likelihood Levels
- Risk Levels
- Risk Heatmap
- Data Retention

Risk Categories (4)

Name	Description	
Environmental Risk	Environmental Risk	
Compliance Risk	Compliance Risk	
Strategic Risk	Strategic Risk	
Operational Risk	Operational Risk	

Business Objectives

Strategic Objectives (4)

Risk Documentation & Assessment

Have not met plan to transition way from suppliers in water stressed regions

EditDelete

Ctrl+E

18

Created On: Feb 29, 2024, 4:56:42 PM	Status	Total Loss	Expected Loss	Risk Level
Created By: Jessica Pearson	In Definition	EUR	EUR	Inherent Risk: Very High
Changed On: Feb 29, 2024, 4:57:47 PM		Inherent Risk 312.00M	Inherent Risk 187.20M	Residual Risk: High
Changed By: Jessica Pearson		Residual Risk 92.00M	Residual Risk 9.20M	Target Residual Risk: High
		Target Residual Risk 92.00M	Target Residual Risk 9.20M	

HeaderGeneral InformationDescriptionCausesImpactsInherent RiskTreatmentRisk Analysis SummaryCommentsAttachments and Links

Name:
Have not met plan to transition way from suppliers in water stressed regions

General Information

Org Unit:Compliance Office

Risk Category:Environmental

Business Objective:Transition to Sustainable operation...

Description

Description:

We plan to move our suppliers away from regions that are vulnerable to drought due to climate change, which would impact our ability to deliver goods and services

Risk Documentation & Assessment

Causes

Causes (1)			Search	
Cause	Category	Description		
Droughts lead to crop failures	Sustainability Transition	Business change for Sustainability driven by financial, reputational, legal & compliance, policy		

Impacts

Impacts (2)						Search	
Impact	Category	Description	Impact Value		Impact Level		
Loss of revenue due to reduced goods	Revenue	Loss of revenues	250,000,000.00	EUR	Business Critical		
We are seen as an unreliable supplier of goods	Reputation	Decline in reputation / brand damage	62,000,000.00	EUR	Business Critical		



Inherent Risk

Total Loss		Total Impact Level	Likelihood Value		Likelihood Level	Expected Loss		Risk Level
312,000,000.00	EUR	Business Critical	60.00	%	Likely	187,200,000.00	EUR	Very High

Risk Documentation & Assessment

Treatment

Treatments




								Search 		
Type	Name	Status	Likelihood Reduction		Impact Reduction		Effectiveness	Completeness		
Control	Reduction of suppliers in high risk water supply regions	Active	15.00 %		70,000,000.00 EUR		100 %	100 %	>	
Response	Source other suppliers where possible	Active	35.00 %		150,000,000.00 EUR		100 %	100 %	>	

Risk Reduction

Total Likelihood Reduction:
50.00 %

Total Impact Reduction:
220,000,000.00 EUR

Risk Analysis Summary

							 		
Analysis Result	Total Loss		Total Impact Level	Likelihood Value		Likelihood Level	Risk Level		
Inherent Risk	312,000,000.00	EUR	Business Critical	60.00	%	Likely	Very High		
Residual Risk	92,000,000.00	EUR	Business Critical	10.00	%	Unlikely	High		
Target Residual Risk	92,000,000.00	EUR	Business Critical	10.00	%	Unlikely	High		

Risk Documentation & Assessment

Reduction of suppliers in high risk water supply regions

37

Created On: Feb 29, 2024, 4:31:09 PM

Created By: JPEARSON

Changed By: JPEARSON

Changed On: Feb 29, 2024, 4:35:33 PM

Significance

Key Control

Control Risk Level

High

Status

Active

Latest Effectiveness Test Results

Latest Control Performance Results

Latest Control Assessment Results

^

☆

General Information

Description

Additional Information

Procedures

Related Objects

Attachments and Links

Attachments and Links (Deprecated)

Valid From:

Jan 1, 2022

Valid To:

Dec 31, 9999

Recommended Monitoring Frequency:

Monthly

Control Group:

Environmental, Social and Corporat...

Control Owner:

Jessica Pearson

Description

This control analyses S/4HANA for presence of suppliers in countries that are known to be at high risk of water shortages from droughts due to climate change. High use of these suppliers puts our ability to supply goods and services at risk.

Additional Information

Chart of Accounts:

—

Business Objective:

—

Procedures

Automated Procedures (1)

Simulate

Create Ad-Hoc Work Package

<input type="checkbox"/>	Name	Reference Period	Destination	Last Run Results	System Type	Source Type	
<input type="checkbox"/>	AP Suppliers in Countries/Regions at Risk of ESG Violations	Calendar Date	<div>1 of 1 defined</div> <div><div></div><div></div><div></div><div></div><div></div></div> <div>Completed Without Found Items</div>	S4 HANA Cloud Edition	ODATA	>	

239

Display

38

SAPinsider

Risk Documentation & Assessment

Reduction of suppliers in high risk water supply regions

37

Created On: Feb 29, 2024, 4:31:09 PM
Created By: JPEARSON
Changed By: JPEARSON
Changed On: Feb 29, 2024, 4:35:33 PM

Significance

Control Risk Level

Status

Latest Effectiveness Test Results

Latest Control Performance Results

Latest Control Assessment Results

Key Control

High

Active

Edit

Copy

Retire

Export

Display Procedure Instances

General Info

Valid From: Jan 1, 2024

Description

This control a

Additional

Chart of Accounts:

Business Objective:

Parameters

Country/Region Key: *

CL x TR x BH x KW x QA x

Account Group:

Company Code:

Company Code Currency:

Industry:

Name of Supplier:

Supplier:

ClsgFiscalYearAmount:

>=20,000.000 x

City:

PrevFiscalYearAmount:

Purpose Completed:

Region:

Clear Values

Procedures

Automated Procedures (1)

Simulate

Create Ad-Hoc Work Package

Name	Reference Period	Destination	Last Run Results	System Type	Source Type
<div>AP Suppliers in Countries/Regions at Risk of ESG Violations</div> <div>239</div>	Calendar Date	<div>1 of 1 defined</div> <div></div> <div>Display</div>	<div>Completed Without Found Items</div>	S4 HANA Cloud Edition	ODATA



1 of 1 defined

Display

Risk Documentation & Assessment

AP Suppliers in Countries/Regions at Risk of ESG Violations

Work Package: WP ESG high risk water supply regions_2022 Feb 29,2024

Automated Procedure: AP Suppliers in Countries/Regions at Risk of ESG Violations

System Type: SAP S/4HANA Cloud

Destination: FCMS4HC

Created On: Feb 29, 2024, 4:37:03 PM

Completed On: Feb 29, 2024, 4:37:04 PM

Procedure Run Status

Result Transfer Status

Completed

Completed



Parameters

Found Items

Created On:

Country/Region Key:

ClsGfiscalYearAmount:

January 1, 2022...January 31, 2022

CLTRBHKWQA

>=20,000.000

Found Items (4)



Supplier	Company Code	Name of Supplier	ClsGfiscalYearAmount	City	Region	Country/Region Key	Created On	Account Group	Industry
CHSU_CP65	1010	Clean Chem	157,500.00	EUR Chile	VS	CL	Jan 31, 2022	SUPL	
CHSU_CP85	1010	Sugar Inc	28,560.00	EUR Chile	LL	CL	Jan 31, 2022	SUPL	
CHSU_CP65	1710	Clean Chem	84,000.00	USD Chile	VS	CL	Jan 31, 2022	SUPL	
CHSU_CP65	3010	Clean Chem	21,000.00	AUD Chile	VS	CL	Jan 31, 2022	SUPL	

SCT Example - ESRS Representation



ESRS Disclosures Management



E1 Climate Change

One of the activities that Sunshine conducts is coffee growing and harvesting in rural areas located in Colombia and Brazil. During these growing and harvesting stages, pesticides and fertilizers need to be used, which contribute GHG emissions, soil and underground water pollution. After growing and harvesting, the coffee is transported to the manufacturing facilities in Germany and France to be roasted and decaffeinated. During these stages, pollutants are emitted to the air. These factors entail environmental and social risks that can cause different types of impacts not only the environment and society, and but also to the company finance.

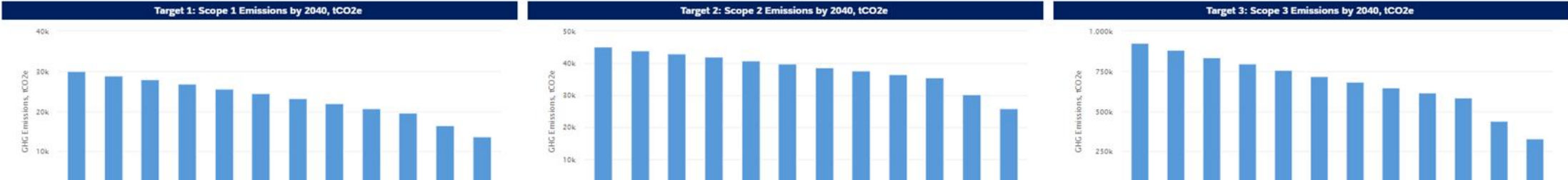
Type of Risk	Risk	Type of Impact	Impact	Actions	ESRS DR Alignment
Environmental	Air Pollution	Environmental	Global Warming	Implement natural pest control systems when possible, and monitor plantations to spot pest sources early on.	E1-9

In Sunshine we are aware that the use of pesticides and fertilizers not only contributes to an increase of the level of N and K in the soil, but also that apart from soil pollution, it will also contribute to temperature rise. Greenhouse Gas (GHG) emissions is a paramount topic for Sunshine, since decreasing these emissions in order to limit the global temperature increase up to 1.5°C is one of the main sustainability objectives at a global level, and our targets are firmly aligned with it.

One of our main goals is to become Scope 1 and 2 net-zero by the year 2040. Due to the nature of its activities, Sunshine generates GHG emissions throughout the whole value chain coffee, in every of our locations.

E1 Targets related to climate

Sunshine is committed with the control of pollution derived from its activities. Therefore, two relevant targets have been designed in order to track and control the pollutants emitted to air and water, in every facility and/or farm where coffee harvesting and growing, and roasting takes place.



Wrap-Up

Where to Find More Information

Key Points to Take Home

Thank you! Any Questions?

Where to Find More Information

- List of [out the box controls](#) on help.sap.com
- SAP [FCM Administration Guide](#)
- SAP [FCM Setup Guide](#)
- Videos for [setup, subscription and user authorization](#)
- Short YouTube [intro to solution](#) video
- [Partner Edge](#) Test and Demo license: [search here](#) for Financial Compliance Management (material code 8013502)

FCM how-to YouTube Videos:

- [Create & Maintain Organizations, Processes and Regulations](#)
- [Create & Maintain Controls and Procedures](#)
- [Schedule Controls and Procedure Runs](#)
- [Review Control Results](#)

Partner Content

- Winterhawk [brochure on their website, industry and ESG packs](#),
- Winterhawk [ESG capability, includes RAM](#)
- Turnkey brochures in [English](#) and [German](#)
- Turnkey RAM [starter pack on SAP Store](#)
- SAP Learning Hub [RAM overview and onboarding](#) course
- SAP Consulting [RAM starter pack](#) one-pager
- EY, PwC, Deloitte, KPMG, SI's

Key Points to Take Home

- There are several frameworks and reporting/disclosure guidelines around the world. But ESG ranking affects reputation and availability of green funding.
- There is a dominating theme of greenhouse gas evaluation but human rights are close on its heels.
- Formal climate-related disclosure reporting is (or will be) required, in various formats, around the world.
- I think this topic is here to stay and will impact business.
- SAP GRC & Sustainability solutions, with SME content, can provide core content for ESG compliance reporting.

Thank you! Any Questions?

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Please remember to complete
your session evaluation.



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