Helping the World Run Better with SAP Ariba
Responding to Climate Change

June 2018
Our understanding
Today, supply chains typically include multiple partners, with services and sourcing managed across several organizations and across the world. Companies are increasing their use of third-party suppliers in the execution of key strategic imperatives. This leads to complexity in the supply chain and increased scale and intensity of operations – all of which contributes to global warming.

The Paris climate agreement of 2015 unites all the world's nations, showing that all are committed to tackling the threat of climate change. Yet, the poorest nations are the most vulnerable and most likely to suffer the impacts of climate change. Extreme weather conditions reduce biodiversity and can cause mass population displacements.

This concern about climate change extends beyond the federal government level to all areas of both the public and private sector. In order to be perceived as relevant, admired, and innovative by customers, employees, investors, partners, communities, and public entities, organizations need to take steps to establish and adhere to practices that actively reduce their contribution to global warming.

How we can help
With SAP Ariba solutions, organizations have improved transparency based on data assessments that segment suppliers by risk level – particularly in areas like environmental sustainability. Our customers have one platform for all procurement with purpose, with governance that seamlessly links to their procurement, compliance, audit, and legal workflows.

We have the skills and tools to measure the effectiveness of business with purpose goals and targets. Our source-to-pay solution portfolio provides:

- The only platform able to link social impact metrics with deep business context and network relationships
- Scalable artificial intelligence in the cloud
- Embedded risk intelligence for impactful sourcing and procurement best practices
- Scalability of assessments, work flows, and collaboration with flexible data modelling for varying risk
- The largest business-to-business (B2B) platform in the world with more than 3 million suppliers on the network

Business benefits
Procurement with purpose means seeing every source within your supply chain, so you can choose suppliers that will help you make a profit and a difference. The potential business benefits of procurement with purpose include brand protection and image in the marketplace, both of which can have significant impact on revenues.

Why SAP Ariba?
We are passionate about purpose and understand the aims and goals of corporate responsibility and sustainability executives. Everything we do at SAP Ariba is procurement with purpose, and we strive to help the world run better by positively impacting labor conditions and other human rights of the people and communities we touch.

We lead with purpose to help the world run better and improve people’s lives
What is climate change?

The Earth’s climate is determined by the balance of energy in the atmosphere as this energy is received by the sun and lost into space. The energy is spread out around the globe mainly by ocean currents, wind, and weather patterns, which affect climates in various regions differently.

Global warming causes climate change and is the term used to describe the current increase in the Earth’s average temperature. Climate change refers not only to global changes in temperature but also to changes in wind, precipitation, the length of seasons, and the strength and frequency of extreme weather events like droughts and floods. Rising air temperatures impact air quality and can lead to health risks.

It is widely believed that human activity is a major contributor to the increase in the global average temperature over the last century and a half.

Source: MDC (International Displacement Monitoring Center), 2017

32x more people to be displaced from climate-related hazards than other geophysical hazards such as earthquakes
Climate change and economic sustainability

Around the globe, governments are confronting the reality that, as human-caused climate change warms the planet, rising sea levels, stronger storms, increased flooding, harsher droughts, and dwindling freshwater supplies could drive large populations from their homes.

The poorest and most vulnerable are most likely to suffer the impacts of climate change. The wealthiest 10% of people are responsible for 50% of total global greenhouse gas emissions, but it is the poorest 50%, those contributing only 10% of the emissions, who reside in countries vulnerable to climate impacts.¹

“Climate change is one of the great dangers we face, and it’s one we can prevent if we act now” – Stephen Hawking

¹Oxfam, Extreme Carbon Inequality, December 2015
Increased risks of food insecurity

Agriculture supports nearly two-thirds of the world’s poor, yet climate change directly affects crop yields, limiting food security for millions of people.

https://www.wfp.org/content/2017-2-and-4-degrees-infographic

High-level assessments done by Unilever on its business of 2C and 4C global warming scenarios show that without action, both scenarios represent financial risks by 2030, mainly arising from higher costs (source: Unilever Sustainability Report, 2017).
Responding to climate change
What is the Paris climate agreement?

The Paris climate agreement unites all the world's nations for the first time in history in a single effort to tackle climate change. Though coming to a consensus among nearly 200 countries on the need to cut greenhouse gas emissions is an impressive achievement, scientists point out that the Paris accord must be stepped up if it is to have a real impact in curbing the dangerous effects of climate change. Despite the pledges made, we could still see global temperatures rise by as much as 2.7°C. The agreement lays out a road map for speeding up progress to address global warming and limit potential future temperature rises.

The key elements of the agreement are to:
• Keep global temperatures "well below" 2.0°C (3.6F) above pre-industrial times and "endeavor to limit" them even more, to 1.5C
• Limit the amount of greenhouse gases emitted by human activity to the same levels that trees, soil, and oceans can absorb naturally, beginning at some point between 2050 and 2100
• Review each country's contribution to cutting emissions every five years so they are held accountable to the goals
• Encourage developed countries to help developing nations by providing "climate finance" – funds to help adapt to climate change and switch to renewable energy

26.4 million
Average annual number of people displaced by disasters brought on by natural hazards since 2008

*Source: MDC (International Displacement Monitoring Center), 2016
The UN Sustainable Development Goals (SDGs) are a collection of 17 interrelated global goals, each with its own targets to achieve. The SDGs are also known as “Transforming our World: the 2030 Agenda for Sustainable Development,” or 2030 Agenda, for short.

Climate change forms part of the UN’s SDGs – “take urgent action to combat the effects of climate change”
Mitigating climate change and its impacts will require building on the momentum achieved by the Paris climate agreement, which entered into force on November 4, 2016. Stronger efforts are needed to build resilience and limit climate-related hazards and natural disasters.

The World Meteorological Organization (WMO) Statement on the State of the Global Climate¹ in 2016 reported that the extent of global sea ice fell to 4.14 million km² in 2016 – the second-lowest extent on record. Atmospheric carbon dioxide levels also reached a record high of 400 parts per million that year.

Developed countries have committed to jointly mobilizing $100 billion per year by 2020 to address the climate-related needs of developing countries and to continue that level of support through 2025. Initial efforts to mobilize resources for the Green Climate Fund raised $10.3 billion, and developed countries are strongly being urged to scale up their financial support.¹

¹Report of the Secretary-General, Progress towards the Sustainable Development Goals, E/2017/66
How businesses are responding to climate change

Many companies have committed to be carbon neutral within a specified time frame to help reduce global warming. A review of the sustainability reports of a number of global companies gives insight to the actions being taken to respond to climate change in their supply chains:

- Setting up of platforms to encourage suppliers to share best practices on sustainability
- Packaging redesigns that reduce environmental footprint
- Supporting developing countries to strengthen their scientific and technological capacity to move towards more sustainable patterns of consumption and production
- Protecting natural resources through energy waste and water management and preserving biodiversity
- Measuring energy efficiency and using low-carbon energy sources
- Reducing emissions
- Reclaiming more waste for beneficial reuse, recycling and recovery, zero waste to landfill
- Working with supply chain partners to audit compliance with environmental management and share best practices on managing environmental discharges through external platforms
- Increasing share of renewable energies in the total energy mix
- Creating a low-carbon advantage and developing the business in support of the Paris climate agreement’s and UN SDGs’ ambitions

200 million
Estimated number of people who could be affected by climate change by 2050

Source: Stern Review, 2016
The SAP vision

SAP Ariba and SAP share the same vision. We lead with purpose to help the world run better and improve people’s lives. SAP’s mission goes beyond economic success and turns our considerable resources – our unmatched solution portfolio and more than 91,000 employees representing more than 130 nationalities around the world – into a positive global influence that helps people, businesses, and institutions achieve economic development, social progress, and environmental impact. This includes empowering prosperity through a living wage, shelter, and nutrition, and driving economic improvements by promoting innovation to develop strong industries and infrastructure – all while building trust by protecting every individual’s and organization’s privacy.

We lead with purpose through our people. We innovate with purpose through our solutions. We amplify with purpose through our customers, partners, and global network.
### Mapping SAP Ariba solutions to energy and climate change goals

Responsibly manage operations to minimize climate impact through improved efficiency and less use of natural resources.

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<tr>
<th>Value chain</th>
<th>How SAP Ariba supports</th>
<th>SAP Ariba solutions</th>
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| • Source    | • Ongoing monitoring of environmental risks and natural disasters to minimize disruption or “buffer stock” hoarding techniques  
              • Supply base segmentation by environmental risk | • SAP Ariba Supplier Risk |
| • Procure   | • Guided buying capability enforces policies that support purpose-driven procurement | • SAP Ariba Commerce Automation  
              • SAP Ariba Buying |
| • Pay       | • Automated workflows that remove paper and reduce an organization’s carbon footprint | • SAP Payables |

**Ariba Network + SAP Ariba hosted cloud solutions** eliminate the need for applications supported on customer servers, thereby reducing energy consumption and carbon footprint.
How we support customers on their journey

Our solutions help customers in a number of ways:

• Sourcing integrated with supplier risk management, so suppliers that comply with sustainable practices can be found easily

• Purchase of energy-efficient plant and machinery to minimize energy consumption and/or emissions

• Sourced suppliers with the necessary corporate social responsibility (CSR) and sustainability-related certificates, such as ISO 14001

• Cross-referencing of suppliers against global watch lists for environmental abuses

• Supplier collaboration to develop eco-friendly products

• Strategic partnerships, such as Plastics for Change, EcoVadis, and Maplecroft

• Carbon footprint reduction through electronic purchasing and e-invoicing

“We shall need a substantially new way of thinking if humanity is to survive” – Albert Einstein
Why SAP Ariba?

SAP helps the world run better and improve people’s lives by offering solutions to the toughest business challenges. With SAP Ariba solutions and services, our customers stay ahead of trends, make better decisions faster, and innovate through simplification. We have deep industry experience that is relevant to the purpose agenda.

SAP Ariba maintains the largest business network in the world with more than 3 million suppliers on Ariba Network. We are well-positioned to empower companies across any industry to select suppliers from around the globe to help them achieve their corporate objectives around supply chain transparency. Furthermore, by 2030, every participant on Ariba Network will have access to tools to evaluate environmental, social, and governance risk exposure by category and region. Participants will also be empowered to create and execute risk assessments, audits, and corrective action plans based on inherent risk factors of each engagement.

We have the skills and tools to measure the effectiveness of business with purpose goals and targets in this new reality. Our source-to-pay solution portfolio provides:

- The only platform able to link social impact metrics with deep business context and network relationships
- Scalable artificial intelligence in the cloud
- Embedded risk intelligence for impactful sourcing and procurement best practices
- Scalability of assessments, work flows, collaboration, and flexible data modelling for varying risk
- Largest B2B platform in the world: >3 million suppliers
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