Vendor Profile

Sustainability Index for Software Providers: SAP

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IDC OPINION

The overall positive role of an increasingly digital economy also has its dark side, represented by growing energy consumption and ensuing environmental impact in the form of greater emission levels. The energy crisis and associated rising costs only heighten the importance of organizations improving the efficiency of their operations.

Environmental, social, and governance (ESG) awareness in Europe is high, as most organizations recognize the connection between efficiency and sustainability — that these two are joined vessels. Investing in efficiency not only decreases the carbon footprint; it also pays business dividends, such as lower costs and increased profitability. Cost reductions have become significantly more important for European businesses over the last year due to war raging nearby and numerous resulting disruptions, such as inflated energy prices.

In that context, improvements in overall efficiency are closely linked with IT as the means to facilitate improved energy and enterprise efficiency. Software will play an increasingly important role, especially in areas such as software-led infrastructure, but the critical added value must come from applications that help organizations meet sustainability objectives. Software vendors must pay greater attention to sustainable software features and practices that respect the "greening of IT" concept. This refers to the sustainability of software solutions and whether sustainable practices are being used throughout the software life cycle – developing, deploying, and managing software with the objective of minimizing the carbon footprint.

IDC regularly assesses the roles of major ICT players in making the world more sustainable. During its assessment of software vendors, IDC has found that SAP performs exceptionally well in comparison with its peers, placing in the top 3 of 23 software vendors that were assessed using IDC's sustainability framework. SAP's strong performance stems from its commitment to making sustainability an integral part of its mission. This is reflected in both the company's customer offerings and the skills it is incorporating into the organization at global and regional levels.

IN THIS VENDOR PROFILE

This IDC Vendor Profile presents SAP's performance against 130+ parameters contained in IDC's Technology for Sustainability and Social Impact (TSSI) framework for software vendors. It identifies the areas in which SAP outperforms the industry average and provides a view of the vendor's best practices. It examines three areas:

- The vendor's environmental, social, and governance achievements
- The vendor's social and environmental sustainability portfolio of products and solutions to help customers on their sustainability journeys
- The vendor's altruistic activities aimed at providing technology solutions and skills for good causes

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IDC selects vendors for profiles based on their overall sustainability performances measured against our criteria, their proactivity on sustainability issues, and their provision of information in a transparent manner.

These vendors have been assessed for the purposes of our analysis: Adobe, Benchmark ESG, BMC Software, Eset, Genesys, Goby, IBM, IFS, Logo, Microsoft, MobileXpense, NetApp, OneTrust, Oracle, Persefoni, Sage, Salesforce, SAP, ServiceNow, SoftwareAG, Sphera, TietoEvry, and Wolters Kluwers.

SITUATION OVERVIEW

Introduction to IDC European Sustainable Strategies and Technologies Index Framework

IDC European Sustainable Strategies and Technologies (ESST) framework seeks to answer the following questions:

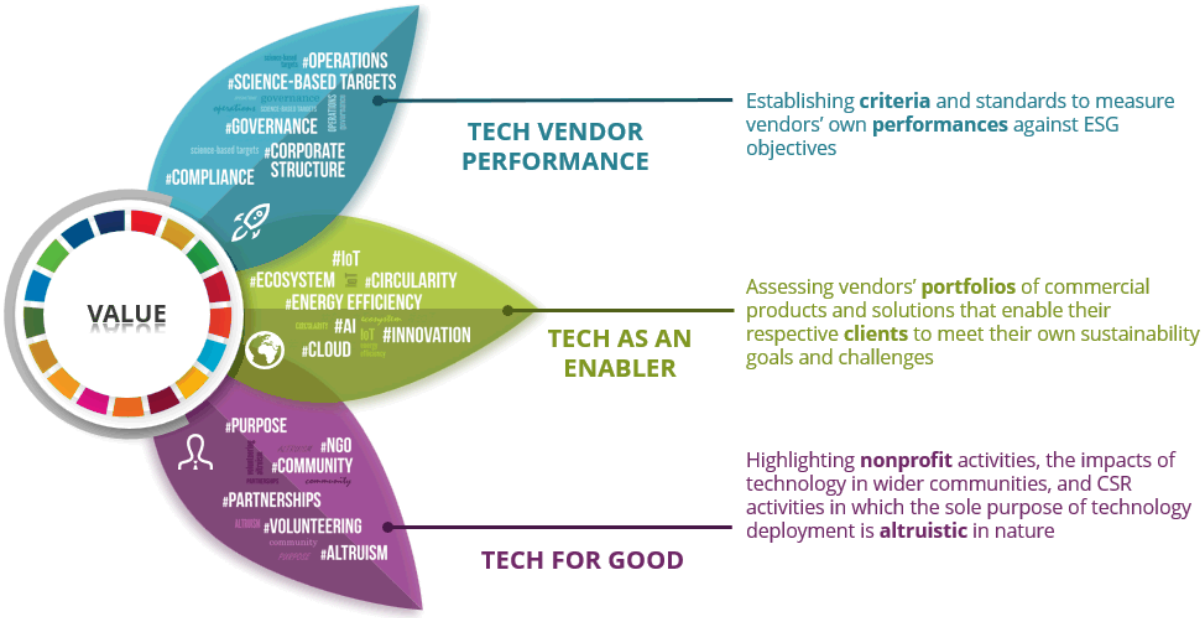
- How do IT vendors and service providers perform in terms of setting and achieving their ESG indicators?
- How do they help clients/customers reach their sustainability goals via their portfolios of products and solutions?
- How do IT vendors and service providers behave as altruistic parties to enable wellbeing for communities in need?

IDC's TSSI Index offers a view of the current state of the European ICT industry regarding sustainability and social impact. It has been created to reflect the ICT market's maturity in terms of sustainability initiatives and achievements. IDC measures ICT players' ESG impacts across three pillars:

- Tech Vendor Performance
- Tech as an Enabler
- Tech for Good

FIGURE 1

IDC's Sustainability Framework — the Three Pillars



Source: IDC, 2021

Tech Vendor Performance

This pillar focuses on vendor performance in terms of ESG-related attributes. It relies on a defined set of ESG parameters to monitor, measure, compare, and report ESG performance. It assesses how software providers perform against their stated ESG goals and objectives and evaluates what they aim to achieve with them in terms of sustainability in the coming years.

Tech as an Enabler

This pillar highlights the use of technology as a tool to achieve sustainability goals. It assesses whether a vendor's products, services, and solutions enable clients to operationalize sustainability practices. The framework enables software providers to demonstrate the sustainability value of their products and solutions to customers.

Tech for Good

This pillar focuses on the altruistic side of vendors. The objective is to highlight good deeds achieved through technology deployment. Tech for Good includes altruistic nonprofit activities and partnerships to positively impact communities in need. These initiatives are usually related to organizations' corporate social responsibility (CSR) policies.

Company Overview

Founded in 1972, the SAP Group has more than 110,000 employees around the globe. SAP structures its offering around two core lines: 1) enterprise application software (EAS), which enables the digitalization of business functions, processes, and tasks; and 2) SAP Business Technology Platform (BTP), which is integrated infrastructure for data exchange and analytics, automation, and application development. In terms of EAS, SAP has a comprehensive portfolio, including enterprise resource planning, supply chain management, financial and spending

management, business network, human capital management, customer relationship management, and customer experience.

The importance of sustainability in SAP's strategy and business model can be traced to the company's mission statement: "[Our goal is] to help the world run better and improve people's lives. We strive to achieve this as both an enabler and an exemplar of sustainable business. In addition, we want our own business operations and practices to be intelligent, sustainable, and inclusive." SAP is committed to multiple sustainability milestones, including carbon neutrality in its own operations by the end of 2023, and achieving net-zero emissions along its value chain by 2030.

Company Strategy

SAP Sustainability Strategy

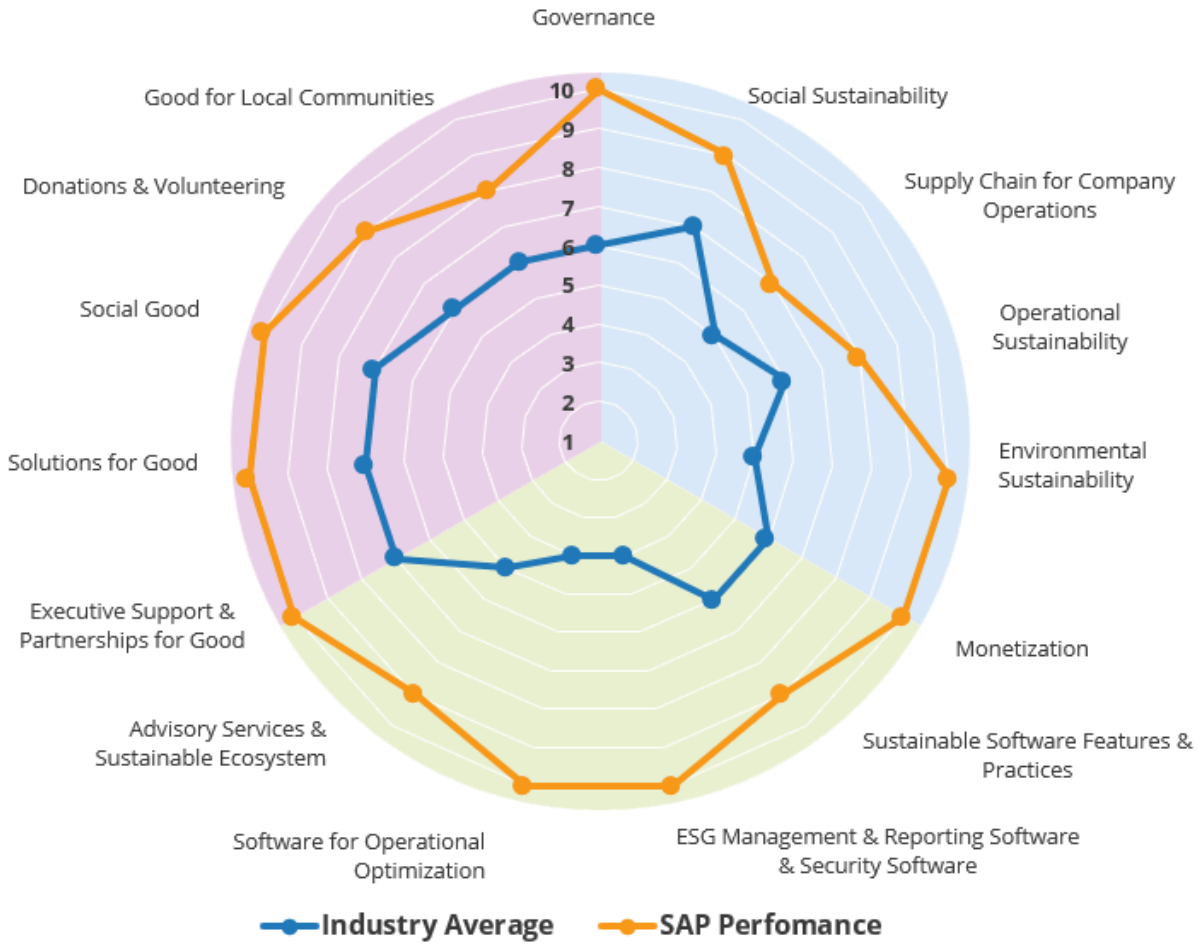
The vendor's commitment to sustainability starts on the strategic level, with CEO Christian Klein as the board sponsor for sustainability. SAP offers a comprehensive strategy and portfolio of software solutions to meet the main challenges facing end-user organizations in terms of environmental and social sustainability. The company's commercial offering addresses three main objectives: zero emissions, zero waste, and zero inequality.

SAP Cloud for Sustainable Enterprise is the umbrella cloud-based offering for a comprehensive package of solutions that provides insights into organizations' sustainable performance and enables them to record, report, and act on their respective sustainability goals. Flagship solution SAP Sustainability Control Tower (SCT) provides customers with holistic steering and ESG reporting along the three main sustainability areas: climate action, circular economy, and social responsibility.

The record function enables organizations to automate data collection using actuals instead of averages and thus to improve data integrity and quality. The reporting function accommodates multiple reporting standards and frameworks, such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Taskforce for Climate Related Financial Disclosure (TCFD), and EU taxonomy. Tracking actual data and analyzing it at the required granularity level empowers the right stakeholders to set targets and gain insights into affected business processes and, ultimately, enables them to make informed decisions.

FIGURE 2

SAP's Performance Against IDC's ESST Index for Software Providers



Source: IDC, 2023

SAP's Overall Performance Against IDC's ESST Index

Figure 2 illustrates SAP's performance against the industry average for every category of the TSSI Index. SAP performed exceptionally well, outperforming the industry average on each of the three pillars and all 15 major categories assessed for this Index. The vendor outperformed the field and placed among the top 3 of the 23 companies measured in IDC's framework for software vendors. This achievement demonstrates SAP's strategic commitment, as well as the comprehensiveness of its commercial offering focused on sustainability.

Pillar One: Tech Vendor Performance

SAP outperformed the market average and was among the top 5 performers in the Tech Vendor Performance pillar in all five categories – governance, social sustainability, supply chain for company operations, operational sustainability, and environmental sustainability.

Governance

SAP has embedded sustainability throughout its governance practices. In June 2022, the role of executive board sponsor for sustainability passed from CFO Luka Mucic to current CEO Christian

Klein. Sustainability KPIs are included in all executive board members' compensation plans, which is strong evidence of the company's commitment to sustainability.

The company reviews sustainability on a quarterly basis and publishes financials and select sustainability KPIs. The chief sustainability officer (CSO) reports to the CEO and chairs the sustainability council, which consists of executives in charge of sustainability in each board area. Together with the CSO's team, the council is accountable for driving SAP's cross-company sustainability agenda and setting annual objectives and priorities.

SAP's central governance regarding sustainability is complemented regionally and locally by teams around the world dedicated to environmental topics. To ensure the achievement of corporate goals, these sustainability teams have their own budgets and the ability to initiate their own sustainability-related initiatives and projects, including those spanning other teams in the organization.

From an operational point of view, SAP has solid sustainability review processes in place, with clearly articulated sustainability goals. During the COVID-19 pandemic, it revised and accelerated its goal from becoming carbon neutral by 2025 to achieving this goal by 2023.

SAP adheres to various non-financial reporting standards, such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Taskforce for Climate-Related Financial Disclosure (TCFD), Climate Disclosure Project (CDP), and European Corporate Sustainability Reporting Directive (CSRD). In addition, the company reports on the World Economic Forum's Stakeholder Capitalism Metrics and adheres to the UN Global Compact's Communication on Progress.

Social Sustainability

This category covers corporate policies and supporting strategies for fostering diversity and inclusion, attaining social goals, and promoting education — all of which are necessary for driving a mindset change across the ecosystem of stakeholders, including company employees.

SAP's activities in this category include the following:

- SAP's environmental targets are also relevant for employees, who are encouraged to become active in the company's ongoing sustainability transformation. A global internal network of more than 300 sustainability champions, who represent different regions and areas of SAP's business, act as role models and multipliers. These champions also tailor sustainability engagement activities to local interests and lines-of-business (LoB) needs and share best practices. According to an internal SAP survey from 2022, 82% of the firm's employees "actively contribute to SAP's sustainability goals."
- Sustainability is an integral part of onboarding, and it plays an important role in educating and training new hires and in various LoB-specific learning offerings. Furthermore, employees can take openSAP online courses on sustainability, which are also available to the general public for free.
- SAP's Appreciate program provides an opportunity to recognize colleagues who contribute to sustainability and reward each other across all levels.
- SAP reports publicly on its hiring data and supports specific programs promoting greater inclusivity and diversity, such as: Targets for Women in Management, Women to Watch, Inclusive Mindset Challenge, Fair Pay Initiative, Business Women's Network, and Pride@SAP.
- Customers' data privacy is ensured by SAP's Development Product Security Standard, which aims to ensure data protection by default. Technical and organizational development requirements are implemented into SAP products by design.

Supply Chain for Company Operations

Transparency related to carbon footprint and other ESG variables across the supply chain determines organizations' ability to strengthen supply chain resilience and deal with business risks. In Europe, reporting Scope 3 emissions related to upstream and downstream providers will become mandatory from 2024.

SAP has shown resolve in driving sustainability across its wider stakeholders (i.e., partners) by introducing a series of measures to validate the sustainability of its suppliers and to advance engagement with social enterprises – businesses with a social or environmental mission – and diverse suppliers that are certified by an accredited agency. The company is implementing Procurement with Purpose, a qualification questionnaire related to the following categories: social and inclusive supply chain, environmental supply chain, and human rights.

The vendor requires its suppliers to meet the stipulations of its Supplier Code of Conduct, which summarizes SAP's ethical principles and builds on its commitment to the United Nations Global Compact, the Universal Declaration of Human Rights, and the International Labour Organization (ILO), as well as applicable laws enacted under the Convention for the Protection of Human Rights and Fundamental Freedoms.

Environmental Sustainability

SAP intends to become carbon neutral in its own operations by the end of 2023 – two years earlier than previously stated. In striving to become carbon neutral, SAP considers all its direct and indirect emissions (Scope 1 and Scope 2), as well as select emissions arising in the supply chain (Scope 3), including those linked to business flights, business travel in rental cars, and third-party datacenters. All the selected Scope 3 emissions that cannot yet be avoided will be compensated with high-quality carbon offsets until the end of 2023. By adhering to a three-pillar strategy of "avoid, reduce, and compensate," SAP is striving to achieve net-zero emissions along its value chain, in line with Science-Based Targets' Business Ambition for 1.5°C campaign.

SAP is one of the rare companies that impose an internal carbon tax, although that carbon tax applies solely to new projects/activities that require the consumption of fossil fuels. SAP also charges an internal carbon price for business flights in most countries they leave from, thus incentivizing the use of ecofriendly alternatives, such as travelling by train.

The company tracks energy consumption, water withdrawal, and waste disposal for 100% of its owned offices. It also tracks the energy consumption and carbon emissions of cloud operations in both its own and external datacenters. SAP operates all its facilities and datacenters with 100% renewable electricity from two sources. First, the company purchases EKO-energy-certified energy attribute certificates (EACs); second, it produces renewable electricity in select SAP locations around the world through solar panels.

Pillar Two: Tech as an Enabler

SAP placed among the top 3 performers in the Tech as an Enabler pillar. The vendor not only outperformed the market average in all five main categories – monetization, sustainable software features and practices, ESG management reporting software, software for operational optimization, and advisory services and sustainable ecosystems – but it was also among the top 3 in each of the subcategories.

Monetization

SAP realized early on the importance of sustainability as a business factor and, accordingly, started to build a broad portfolio of sustainability-related solutions to help its customers address

their sustainability-related objectives. SAP has further created a supporting structure around its solutions portfolio that includes the following:

- Strengthening the importance of sustainability as a growth area by assigning a dedicated workforce that combines sales, marketing, product engineering, and other sustainability units under the office of the CEO.
- The global structure is supported by region-dedicated sustainability teams across all market-facing roles (e.g., sales, presales, and services). Based on their maturity, the focus is on markets in Europe, the U.S., Japan, and Australia. Furthermore, specific offerings are tailored to individual markets, such as providing circular economy solutions in the United Kingdom to accommodate the country's Plastic Tax regulations.
- SAP offers internal training courses to enable all go-to-market related roles. Mandatory sustainability training is in place for all sales and presales positions. KPIs are defined and based on customer adoption and references for the vendor's sustainability portfolio.
- Customers for SAP's sustainability solutions span a variety of industries, including manufacturing, FMCG, electronics, leisure and entertainment, retail, utilities and energy, and the public sector.

Sustainable Software Features & Practices

Sustainable Software Features and Practices constitute the key measure of software vendors' resolve to produce sustainable software and ultimately reduce their carbon footprints. The following metrics are covered in this category: software design and development, software energy efficiency, software carbon intensity, software accessibility features, and certifications and compliance.

SAP placed among the top 3 in this category — largely, owing to the following attributes:

- The company adheres to internal product standards related to software design and development with the objective that applications (or services) are efficient in cost and resource consumption terms.
- Two leading criteria under software design and development are quality performance and cost. Both address sustainability aspects, since performance and resource consumption measurement and cost monitoring both ensure that infrastructure resource consumption is reduced over time. This also entails an explicit strategy for reusability and code reuse, which is being incrementally implemented in development programs. The architecture blueprint has a mandatory design pattern for this.
- Software energy efficiency is being pursued during the software development and testing process via CPU and memory consumption monitoring. SAP also monitors the power usage effectiveness (PUE) of its datacenters; for example, datacenters at SAP headquarters in Germany and North America operate at a PUE of 1.38.
- Applications are designed to operate under limited bandwidth conditions, as software products reduce the number of sequential round trips between the front end and the application layer per user interaction and between two servers/instances.
- The accessibility of SAP's software is ensured via product standard accessibility, which is enforced during the innovation cycle process, which uses various process steps to plan, develop, test, and report accessibility.
- The vendor is compliant with several industry standards, including ISO/IEC 27001, ISO 9001, ISO 22301, ISO/IEC 27018, and ISO 10012. Furthermore, the vendor offers Service Organizational Control (SOC) reports SOC1 and SOC2 to provide insights into the design and operating effectiveness of internal control systems implemented within cloud delivery units.

ESG Management, ESG Reporting, and Security Software

ESG software is one of the most popular areas of the sustainability discourse, and it is an essential ingredient in collecting, measuring, and reporting the required data points related to ESG performance.

SAP scored top marks and outperformed the market average by a wide margin in this category due to the following attributes:

- The vendor possesses a broad portfolio of software applications that span ESG reporting applications, as well as specialized applications and software features such as: ESG to Finance Ledger Reporting and Risk; Carbon Footprint (greenhouse gasses) Tracking from Operating Technology; Carbon Footprint from Operations – Scope 1, Scope 2, and Scope 3; Product Carbon Footprint (PCF) Reporting; and Security and Trust Software.
- SAP capitalizes on its strength in financial reporting and combines that with non-financial reporting in its flagship solution, SAP Sustainability Control Tower (SCT), which automates integrated reporting and performance management and enables transparency across financial, operational, compliance, environmental, and social key indicators for clients.
- The SCT application is SaaS-enabled, and integration with core SAP applications is available. (Further API integration is planned for H1 2023.) SCT is regarded as a solution for holistic steering, as it fulfills the following functions: 1) It provides granular and consistent sustainability data sets; 2) it enables users to set sustainability-related targets and monitor progress; 3) it empowers decision makers to act based on the acquired data sets.
- The vendor provides customers with an automated solution to track greenhouse gasses (Carbon Footprint) that uses adjustable models and covers Scope 1 and Scope 2 business operations tracking, as well as providing calculations and reporting for some Scope 3 categories.
- The vendor provides SAP Product Footprint Management, which integrates into SAP S/4HANA (on prem and cloud) and reuses existing business data combined with environmental data and calculates the footprints of products periodically across their entire product lifecycles.

Software for Operational Optimization

This category comprises a variety of specialized workloads, including sustainable supply chain software (various types), sustainable supply chain software (various features), energy intelligence optimization software, HR management and ethical business software, and substitution-effect software.

SAP performed excellently in this category thanks to its comprehensive portfolio of applications, particularly those related to supply chain management (SCM) and to HR management and ethical business software.

SAP brings several features to market for this category:

- SAP's portfolio of supply chain management solutions has sustainability incorporated throughout – in its procurement, warehouse, transportation, and shipping management modules.
- The vendor's solutions enable customers to consider sustainability in the same way that they traditionally consider costs. Sustainability criteria can be included into scenarios (based on supply routes and suppliers) and awards; the supplier certification process (supplier lifecycle and performance) can be automated; supplier risk and human rights due

diligence can be automated; and users can be guided to purchase from suppliers that meet predetermined criteria.

- SAP's supply chain solutions are designed to eliminate waste, circulate materials, and regenerate natural systems. They utilize AI/ML techniques to plan the supply chain and enable resilient responses to disruptions. SAP's Business Network enables collaboration with all trading partners in the supply chain, including the exchange of sustainability-related information (i.e., carbon footprint).
- SAP's sustainable HR management and ethical business software includes Job Analyzer in SuccessFactors Recruiting; SuccessFactors Learning; SAP Environmental, Health, and Safety Management; and SAP Concur, a travel management solution with strong integrated sustainability features.
- In the area of software with a substitution effect, which aims to eliminate environmentally harmful activities, SAP has partnered with DocuSign, a vendor whose solution enables 100%-digital document processing.

Pillar Three: Tech for Good

In IDC's third pillar, Tech for Good, SAP placed in the top 5. The vendor scored well above average across all subcategories of the third pillar — particularly in executive support and partnerships for good, building solutions for good, and social good.

Executive Support & Partnerships for Good

SAP achieved the maximum score in this category due to the following factors:

- Strong executive support and governance, and operational structures that coordinate CSR-related activities. SAP has established a global CSR governance committee, consisting of executive-level representatives from different board areas to advise, supervise, and approve the direction of SAP's overall CSR strategy. Regional CSR governance committees oversee CSR partnerships and efforts with the respective regional leads.
- The vendor has established partnerships and alliances with multiple stakeholders from across the ICT industry and the non-profit sector aimed at employing technology for good.
- SAP recognizes the importance of collaboration and partnerships on the global and European levels in accelerating the social enterprise ecosystem and investing in innovative education models for youths in need (under-represented, under-served, and under-privileged 16–24-year-olds).

Donations and Volunteering

Connecting employees with volunteering activities is a part of SAP's holistic sustainability framework. In 2022, SAP committed EUR 27.6 million globally to common good causes, and its employees contributed over 117,000 hours of pro bono time. SAP provides numerous corporate volunteering opportunities and pro bono consulting programs to deploy its employees' professional skills for good causes.

When it comes to volunteering, SAP encourages employees to take the initiative through its 614 virtual and on-site volunteering projects and its internal engagement and learning campaign, Moments of Service. The goal of the campaign is to deepen the employees' understanding of social and environmental issues, what SAP is doing about them, and their capacity to deliver impact as individuals.

Solutions for Good

Within the context of IDC's framework, SAP has contributed to the following worthy causes:

- In Equal Opportunities and Living Standards, the vendor partners with numerous organizations to foster digital skills, focusing on educating and upskilling women and girls, and provides technology products to achieve it. Internally, SAP has implemented a long-term strategy to ensure a culture of inclusive collaboration and inclusive career journeys and to improve the diversity of its ecosystem through supplier diversity efforts, an inclusive language campaign, and accessibility efforts.
- In Education, through its digital skills building and coding programs, SAP has trained over 167,000 teachers and engaged 3 million underserved youths. Since 2019, SAP has partnered with UNICEF and other organizations to address strategic areas within education.

Good for Local Communities

SAP funds and provides several initiatives for local communities:

- The vendor implements various programs in technical skills training for jobs in science, technology, engineering, and math (known as STEM) fields, particularly focusing on equipping young generations with the right digital and life skills for suitable work.
- It provides funding to local NGOs and offers SAP partnership opportunities for its initiatives and programs. SAP considers local NGOs to be the experts on local community issues; the vendor provides technology tools, funding, and other resources.
- In response to the ongoing Russia-Ukraine War, SAP created its Ukraine Task Force. Under this work group, SAP made its Business Network Discovery (formerly, Ariba Discovery) available to companies and organizations free of charge until the end of 2022 to address supply chain issues. Additionally, the vendor made this platform available to the Medical Procurement of Ukraine (MPU), a national agency to ensure the centralized procurement of high-quality medicines and medical devices.

FUTURE OUTLOOK

Scope 3 Reporting: A Need for Supply Chain Transparency

In Europe, pressure is increasing to provide visibility into ESG KPIs and publicly disclose non-financial indicators. The European Commission's forthcoming Corporate Sustainability Reporting Directive (CSRD) requires a large amount of specific new qualitative and quantitative information to be disclosed. The Commission uses EU Sustainability Reporting Standards (ESRS), developed by the European Financial Reporting Advisory Group (EFRAG). On November 23, 2022, EFRAG submitted its approved final draft of the ESRS to the European Commission. It is certain that the ESRS will require companies to disclose **their Scope 1, Scope 2, and, where relevant, Scope 3 greenhouse gas emissions.** This will have a ripple effect on organizations throughout the economy (49,000 companies affected immediately), as this mandated reporting disclosure (Scope 3) implies the need for organizations to collect data within their upstream and downstream operations.

European businesses are in various stages of readiness to be able to fulfill these requirements. Approximately 17% of European businesses are in the more advanced stages of implementing technology solutions to track sustainability-related KPIs. However, even these businesses are not fully ready to comply with the requirements of the forthcoming Scope 3 disclosures.

IT Efficiencies as the No. 1 Priority for a Sustainable Enterprise

Over the last year or so, cost reduction has risen significantly in importance as a driver of sustainable operations — since the outbreak of the Russia-Ukraine War. The quest to improve energy efficiency, driven by energy shortages and high prices, has a positive side effect on environmental sustainability; it ultimately leads to a decrease in carbon emissions — a key component of a sustainable future.

Technological innovations that generate improvements in overall energy efficiencies will be essential to lower costs and reduce carbon footprints. IT efficiency is a part of this development — one that ultimately results in lower energy bills and other cost savings. Especially in times of uncertainty and crisis, the connection between improved IT efficiency and sustainability is central to the business case for investing in sustainability initiatives.

Improvements in IT efficiency result from a complex and often interdependent set of technological factors across hardware, software, and services. That said, software was often overlooked, but that is changing. Software-led infrastructure — used to manage and control servers, storage, and networking devices — is now playing an increasingly important role. Software vendors will be under greater scrutiny to enable the operation of energy-efficient/low-carbon-intensity application workloads that respect both best practices and sustainable practices throughout the software product lifecycle (e.g., architecture, development, code choice, and testing).

ESG Data Integration Platforms

Enterprises today face many challenges that complicate efficient and reliable ESG reporting, including issues related to data access, lack of dependable data sources, and inefficient non-digitalized or non-integrated data platforms. Currently, ESG data is scattered across various processes, operations, and systems and is generated from multiple departments and locations in a variety of formats, which makes reporting inefficient, prone to flaws, and costly.

Demand for ESG data consolidation platforms will rise because the future enterprise will increasingly need digitalized and/or automated business processes, which will lead to a need for data integration platforms. ESG data must be consolidated in a centralized manner and be available for different types of data/KPI monitoring, such as dashboards for both executive and operations levels. Organizations that master ESG performance metrics monitoring in a holistic manner and integrate ESG insights into steering their strategy execution will gain a competitive advantage by moving beyond mere regulatory compliance to driving business benefits.

ESSENTIAL GUIDANCE

Advice for SAP

Communicating the Capabilities of an ESG Data Integration Platform (Sustainability Tower)

SAP's Sustainability Control Tower is the vendor's flagship automated solution for customers that want to report and act on various ESG requirements. The SaaS-based solution addresses the three most-typical objectives of customers — to decarbonize, to decrease waste, and to address social objectives and needs.

Numerous software providers have solutions related to monitoring carbon footprint from operations and for tracking and monitoring Scope 1 and Scope 2 emissions, yet SAP's solutions differ from competitors' in at least one of the following attributes:

- Turnkey integration with SAP accounting systems, which saves time and integration costs

- Several functions and processes being integrated, such as recording and reporting auditable data
- The extensibility of additional functions (i.e., Scope 3 data reporting based on actuals instead of averages)
- Diverse reporting standards and frameworks

Pushing the Envelope with Carbon Accounting Tools

Current carbon accounting practices are riddled with flaws — among them, using averages for data inputs, relying excessively on spending-based calculation methods, and not including indirect emissions from the supply chain. To overcome these shortcomings and combat greenwashing, firms must gain trustworthy and accurate data related to greenhouse gas emissions that can be reliably transformed into business decisions.

SAP needs to leverage its strength in ESG Management and Reporting Software and push the envelope in terms of helping organizations to integrate financial and non-financial reporting. Specifically, SAP should double down on its efforts to provide a carbon accounting solution that:

- Works with real data instead of estimates
- Takes advantage of an activity-based methodology instead of a spending-based methodology
- Automates carbon data processing throughout the value chain from both upstream and downstream sources

SAP can further expand its commitment to sustainability by requesting full carbon disclosure from its own suppliers and partners.

LEARN MORE

Related Research

- *IDC Europe Sustainable Strategies and Technologies Index Market Maturity Report: Software Providers* (IDC #EUR250540423)
- *2023 Key Sustainability Trends and Developments in EMEA* (IDC #EUR150470123, March 2023)
- *Organizations in Western Europe Optimizing Energy Efficiency to Limit the Impact of Rising Energy Prices* (IDC #EUR250468623, March 2023)
- *Amazon Web Services to Be Water Positive by 2030* (IDC #EUR149987822, January 2023)
- *Which Sustainable IT Related Skills and Expertise are Organizations Investing In?* (IDC #EUR149987123, January 2023)
- *What Sustainability Challenges Are Organizations in the Middle East, Turkey and Africa Facing?* (IDC #META49820922, November 2022)
- *IDC FutureScape: Worldwide Sustainability/ESG Predictions* (IDC #US48709922, October 2022)
- *Drivers of Sustainability Initiatives in European Organizations* (IDC #EUR249166422, May 2022)
- *IDC Europe Technology for Sustainability and Social Impact Index Market Maturity Report: Cloud Infrastructure and Data Center Providers* (IDC #EUR248552021, January 2022)

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