

Company:	SAP AG
Sector:	Software & Services
Report Year:	2013
Headquarters:	Germany
Standard Application:	GRI G4, IIRC, IFRS
Format:	Listing and Fin Connectivity Analysis

DRAWING CONCLUSIONS AND UNDERSTANDING THE IMPLICATIONS OF OUR ASSESSMENT

We identified six main areas that are material to SAP as a company. For the most part, these are consistent with our past assessments and comprise:

- **Human capital management** – Helps us ensure we employ, develop, and retain the very best talent within our company and be attractive to potential employees
- **Intellectual capital management** – Helps us innovate and deliver new solutions with the highest quality through continuous organizational learning, people development, and suitable internal structures and processes. Such capital also leads to increased customer loyalty.
- **Security and privacy** – Ensures we design and deliver our solutions in ways that afford the very highest levels of data security and privacy control
- **Financial performance** – Mirrors the success of our strategy and ensures our long-term viability
- **Business conduct** – Ensures we conduct our business activities while upholding the highest levels of ethical behavior, as set out in the SAP Code of Business Conduct for Employees and other company policies
- **Climate and energy** – Helps us offer solutions to our customers for reducing energy consumption and emissions, find ways to minimize the environmental impact of our solutions and transform our corporate operations accordingly

While these issues are critical for us as a company, we see our solutions touching on a broad range of issues that are highly material to our customers – from financial viability to natural resources, energy, and human rights. While we do not yet offer solutions in all of these areas, For SAP, the key change in the GRI G4 materiality methodology is the focus on impacts, whereas in the past we looked more at our responsibilities and potential for innovation regarding various issues. We have started to assess our economic, social, and environmental impacts from two distinct points of view: SAP as a company (which includes our operations and supply chain) and SAP as a solution provider (which is how we serve our customers). Our goal is to determine materiality based on what is most relevant to our core business strategy. By analyzing our impacts as a solution provider, we can incorporate our conclusions as we work to create a truly sustainable strategy. Such a strategy will enable us to holistically manage the economic, environmental, and social contexts in which we operate.

ASSESSING AND RATING THE RELEVANCE OF NUMEROUS ISSUES

We followed the GRI G4 guidelines to undertake a four-step process in assessing the materiality of issues: Review of previous reports, identification, prioritization, and validation by our chief sustainability officer. We initially identified approximately 60 issues for consideration, from economic performance and procurement practices to water consumption, emissions, waste, and human rights. We chose our initial list from issues referenced in the GRI G4 guidelines, as well as those that emerged from our stakeholder engagement, our conversations with our sustainability advisory panel, prior materiality assessments, the review of previous reports (including an analysis of which content was read most often), and the draft issues identified by the Sustainability Accounting Standards Board (SASB) for the Technology and Communications sector.

We then used three main criteria to evaluate each issue, assessing how mission-critical each is to SAP, how relevant each is to our financial performance, and how important each is to our stakeholders. We weighed all stakeholder feedback equally as we determined whether an issue substantively influences stakeholders' assessments and decisions and if so, whether that influence is low, medium, or high.

Strategy and Business Model

Integrated Performance Analysis

DEEPENING OUR UNDERSTANDING OF THE CONNECTIONS BETWEEN NON-FINANCIAL AND FINANCIAL PERFORMANCE

One of the most important features in our first integrated report last year was a visual exploration of the connections between non-financial and financial performance. We showed how such measures as revenue, employee engagement, and carbon emissions impact each other, at times in unexpected ways.

These connections are at the heart of an integrated report, which puts financial results in the context of an organization's full range of impacts. Taken together, all three realms of performance – economic, social, and environmental – provide a full measure of a company's ability to create value and navigate today's fast-changing business landscape.

FOLLOWING THE CHAIN OF IMPACT FOR EACH OF 12 NON-FINANCIAL PERFORMANCE INDICATORS

Last year, for example, we documented that for every percentage point our retention rate goes up or down, the impact on our operating profit is approximately €62 million. This year, we aimed to get closer to assessing such financial impacts for other non-financial indicators. To do so, we went beyond establishing that one indicator is linked to another. Instead, we focused on describing the entire chain of cause and effect that underlies these links.

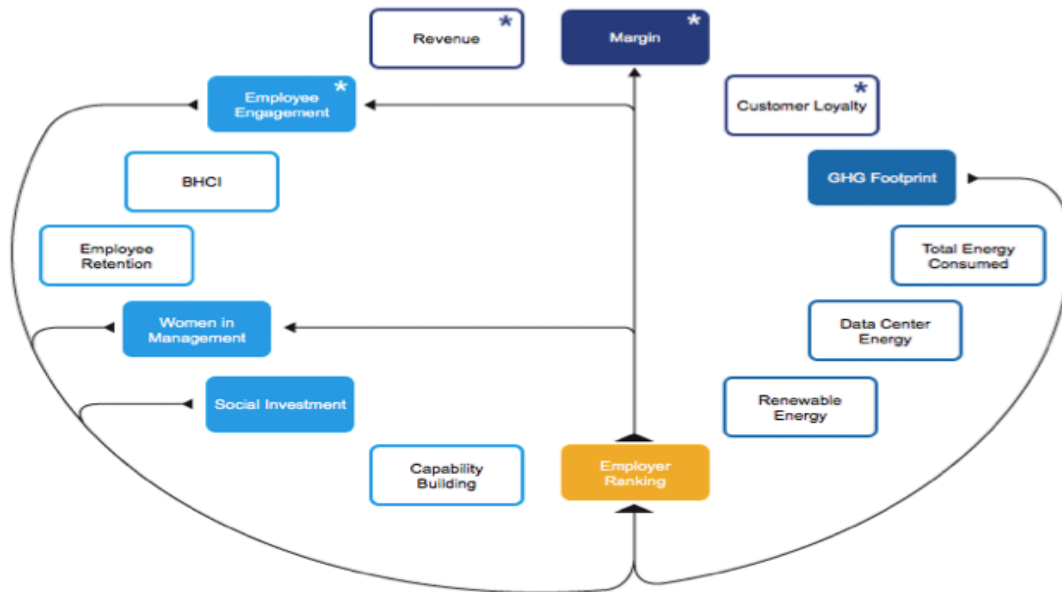
We mapped specific activities undertaken by SAP that are intended to change employee behavior, and subsequently impact company performance, and thereby creating a financial result. Describing such a chain advances the methodology for assessing non-financial performance in financial terms. For example, we can shed light on why and how something such as employee engagement leads to higher revenue. We believe that such insights are a prerequisite for fully modeling the financial impact of non-financial performance.

To create and validate these chains of cause and effect, we turned to both internal and external stakeholders. We started with those inside SAP, meeting in small groups that rigorously examined the cascade of impacts from activities related to each of our non-financial indicators. We next conferred with external stakeholders, including academics, financial investors, and SAP peers, to vet our findings.



Employer Ranking

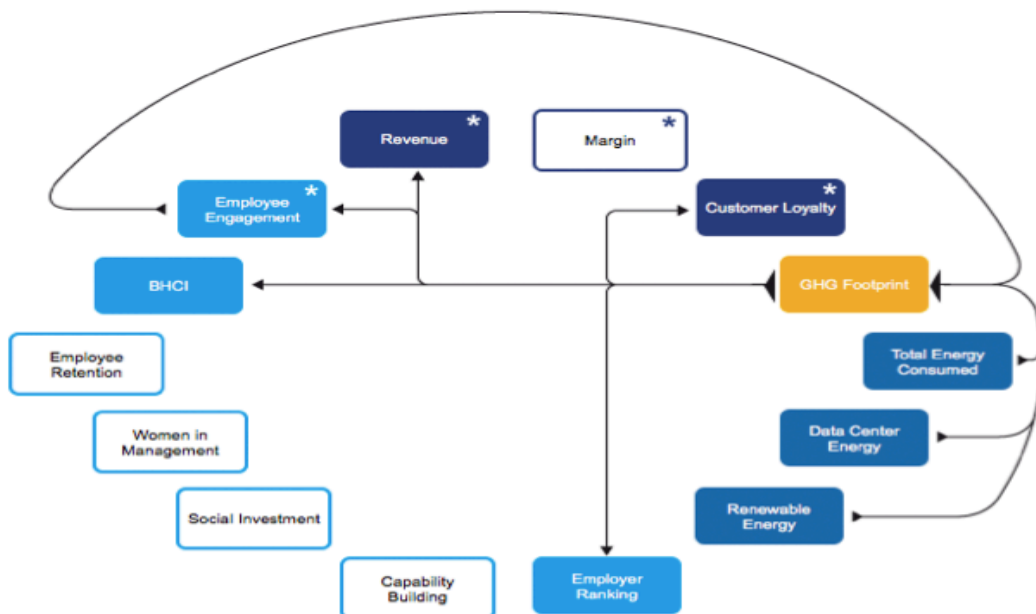
★ Our corporate objectives ■ Economic indicators ■ Social indicators ■ Environmental indicators



Employer ranking is the attractiveness of SAP as an employer, measured through external ratings and rankings.

GHG Footprint (Greenhouse Gas Footprint)

★ Our corporate objectives ■ Economic indicators ■ Social indicators ■ Environmental indicators



Our GHG footprint is the sum of all greenhouse gas emissions measured and reported, including renewable energy and third party reductions, for example, offsets.