Growing Sustainably
Our purpose at SAP is to help the world run better and improve people's lives.

Our promise is to innovate to help our customers run at their best.

Through our solutions, we aim to enable our customers to create positive economic, social, and environmental impact.

Total revenue 2021 (non-IFRS)
€27.84B (+2%)
2020: €27.34B (-1%)

Cloud revenue 2021 (non-IFRS)
€9.42B (+16%)
2020: €8.09B (+15%)

R&D ratio 2021 (non-IFRS)
16.8%
2020: 15.2%

Dividend per share for fiscal year 2021
€2.45 (+32%)
for fiscal year 2020: €1.85

Customer Net Promoter Score 2021
10
2020: 4

Carbon neutral in own operations
2023

Carbon neutral along SAP value chain
2030
Dear investor,

SAP celebrated its 50th anniversary on April 1. These past 50 years have seen our company go from a startup to a global player that is the “digital backbone” of the world’s economy. Given the difficulties the world is facing today, our product and service portfolio is as relevant as ever.

We would have wished, of course, for happier circumstances in which to mark this milestone anniversary. Just as the world was emerging from the COVID-19 pandemic, Russia’s shocking war in Ukraine has brought it unprecedented challenges once more. In line with international sanctions, we too have ceased business in Russia and Belarus, and we are using our technology, such as SAP Business Network, to help Ukraine. Every single day, our employees as well are showing their support: More than 4,000 of them have offered accommodation and other help to refugees. There are many more examples I could add.

Our technology helps customers across the world meet today’s challenges, be they the wider impact of the war or the increasing calls for sustainable business practices from governments, investors, and consumers.

Especially for sustainability, managers need tools that give them actionable insights from real-time data for their business processes end to end. Having this transparency enables companies to show and document how sustainable they are and inspires stakeholder trust. That is why our core enterprise applications contain a framework customers can use to manage all dimensions of business performance and why we build dedicated sustainability solutions as well – and, as you would expect, we offer all of them in the cloud. These solutions enable our customers to run better by embedding sustainability in their business operations – from product design and procurement to ethical and social integrity throughout their value chain.

Software companies like SAP have to do more than offer solutions – we have to be sustainable businesses ourselves. At SAP, we recognize our responsibility – and our leadership role – here, too. Since 2017, we have cut our net carbon emissions by two thirds, and aim to reduce them by another 36% in 2022. Our aim is to be carbon-neutral in our own operations by 2023, and across our entire value chain by 2030.

Our accelerated transition to the cloud is progressing better than we had originally anticipated. We expect the pace of growth to increase further in 2022 and are confident that we will reach our targets for 2025 as well. With this in mind, I am pleased that we are able to pay out a special anniversary dividend of €0.50 per share, bringing the total dividend to €2.45, an increase of 32%.

As you may know, I will leave SAP in March 2023 after 27 years. I am honored to have played a part in its success over that time. I know that whoever SAP chooses as its next CFO will continue the company’s solid and reliable finance and dividend policy.

I hope you enjoy this edition of SAP Investor.

Sincerely,

Luka Mucic
SAP SE Chief Financial Officer
SAP SE Executive Board

- **Christian Klein**
  - Joined SAP: 1999
  - Appointed to Executive Board: 2018
  - Current Executive Board term expires: 2025
  - Nationality: German
  - Year of birth: 1980

- **Sabine Bendiek**
  - Joined SAP: 2021
  - Appointed to Executive Board: 2021
  - Current Executive Board term expires: 2023
  - Nationality: German
  - Year of birth: 1966

- **Jürgen Müller**
  - Joined SAP: 2013
  - Appointed to Executive Board: 2019
  - Current Executive Board term expires: 2024
  - Nationality: German
  - Year of birth: 1982

- **Luka Mucic**
  - Joined SAP: 1996
  - Appointed to Executive Board: 2014
  - Current Executive Board term expires: 2023
  - Nationality: German
  - Year of birth: 1971

- **Scott Russell**
  - Joined SAP: 2010
  - Appointed to Executive Board: 2021
  - Current Executive Board term expires: 2024
  - Nationality: Australian
  - Year of birth: 1973

- **Thomas Saueressig**
  - Joined SAP: 2004
  - Appointed to Executive Board: 2019
  - Current Executive Board term expires: 2022
  - Nationality: German
  - Year of birth: 1985

- **Julia White**
  - Joined SAP: 2021
  - Appointed to Executive Board: 2021
  - Current Executive Board term expires: 2024
  - Nationality: U.S. citizen
  - Year of birth: 1973
Help the World Run Better and Improve People’s Lives

For half a century, SAP has been revolutionizing the way business is done. Our purpose is to offer products, solutions, and technologies that help the world run better and improve people’s lives. Delivering on that purpose demands that we respond to changing requirements, innovations, and an evolving economy. Our strategy is the vision for SAP’s direction of travel in the years ahead and it sets out how we can best address the challenges of the present and the future.

The events of recent weeks and months have shone a spotlight on the three main challenges businesses currently face:

1. **Business transformation**: Even before the COVID-19 pandemic, there was an urgent need for enterprises to focus on and accelerate their digital transformations. As well as automating their processes, companies must redefine their business models, adapt them when conditions change, and remain agile.

2. **Resilient global supply chains**: In our increasingly multilateral world, well-functioning global supply chains are crucial for businesses, the economy, and society as a whole. Three-quarters of all companies reported disruptions and interruptions along their supply chains as a result of the coronavirus pandemic. Far from improving, those issues remain, and have only been made worse by the war in Ukraine. Yet most enterprises lack the (real-time) transparency they need across their supply chains to provide a swift and effective response.

3. **Sustainable business**: Climate protection is fast becoming a business imperative. To take effective action, companies need to understand the source and quantity of emissions occurring in their value chains. Being able to measure their carbon footprint is the precondition for taking meaningful steps toward reducing or compensating for it.
Helping enterprises become intelligent, networked, and sustainable

As well as being uniquely placed, SAP has both a responsibility and the vision to play a major part in solving the immense challenges faced by its customers and the wider business world. Technology is a core driver here, and we leverage it to help our customers become intelligent, networked, and sustainable enterprises.

An intelligent enterprise is one that applies advanced technologies and best practices within agile, integrated business processes: It regularly adapts its business model to new conditions, and deploys data analytics and other smart technologies along its value chain to stay innovative.

The foundation for the intelligent enterprise is SAP Business Technology Platform (BTP), a “control center” for connecting a vast range of SAP’s industry-leading business process applications and third-party integrations. With the platform and application portfolio combined, SAP supports the industry-specific, end-to-end processes our customers need to become intelligent, sustainable enterprises – across a breadth of systems and processes that only we can offer.

The last two years have been a stark reminder of just how interconnected the world is – and how fragile supply chains are. The idea behind the networked economy is that enterprises should be able to react instantaneously to disruptions and changes in supply chains. But to do so, they require data about demand, inventory, stock in-transit, their suppliers’ ability to deliver, and alternative sources of goods and materials. Which means they need a continuous, fast, and accurate flow of data to and from suppliers that feeds directly into their enterprise resource planning (ERP) system. This is where SAP Business Network comes in. Connecting millions of companies across 190 countries, it delivers innovation and intelligence across procurement, logistics, asset management, and industry networks to enable a business network spanning industries and the globe.

SAP addresses sustainability through a dual approach. On the one hand, we want to lead by example in our own operations (discover more about sustainability in the SAP Group in the section beginning on page 18). On the other, we see it as our purpose and our goal to provide products and services that empower companies and organizations to transition to more sustainable business models and take meaningful action.

At the heart of our vision and our strategy are our customers. And we are proud to work with some of the best in the world, including 99 of the world’s 100 largest companies and 97% of the world’s greenest enterprises.

New strategy focuses on the cloud

To have the best chance of reaching our own goals and driving maximum success for our customers, SAP overhauled its strategy in the fall of 2020, shifting the focus emphatically onto growth in the cloud. Still centered on the vision of the intelligent enterprise, our new strategy is augmented by an accelerated transition to the cloud and the measures and structures that will enable it.

As we strive to empower our customers to transition rapidly to the cloud, we have defined attractive solution bundles, such as RISE with SAP, which we unveiled in January 2021. RISE with SAP helps enterprises transform, enhance their core processes, and bring them into the cloud – whatever their industry. We enable companies to benchmark their processes against best practices we have gathered from working with hundreds of thousands of customers across 25 industries. We also support them in moving to a modular, agile ERP system, and connect them to the latest innovations such as our cloud solutions, SAP Business Network, and SAP Cloud for Sustainable Enterprises. As we continue to enhance RISE with SAP, we can look back on a successful first year that has seen 1,300 customers of all sizes sign up for our new service offering (see “RISE with SAP: One Year On” on page 8).

Another key component of SAP’s strategy is SAP Business Network. One of the world’s largest cloud-based enterprise networks, it enables companies to collaborate across supply chains and respond to disruptions in real time. Thanks to the “network effect,” as the number of trading partners on the network increases, so does the value everyone derives from it:
The members have more opportunities for doing business, and every transaction they make on the network adds value for SAP as the operator.

Ultimately, we want to create a sustainable world together. Customers trust us with their most mission-critical and energy-intense processes. We have the end-to-end transparency and solution portfolio to transform our customers into sustainable enterprises. Our SAP Cloud for Sustainable Enterprises solution, for example, allows companies to integrate sustainability metrics seamlessly into how they manage their business, enabling them to achieve their business targets and their sustainability goals. (Learn more about SAP’s sustainable solutions in the R&D section starting on page 12).

**New and more predictable revenue streams**
Recent years have shown that standing still is not an option. Like any other company, SAP must regularly reevaluate and improve itself and its business model if it wants to remain successful. As we pause to take stock, we can see that our new strategy is gaining traction and paying off. Despite the ongoing headwinds of the pandemic and economic uncertainties, our customers recognize how SAP is helping them drive their business transformation: In just 12 months, our non-IFRS cloud revenue growth rate grew 11% to 24%.

A marked increase in customer satisfaction provides further evidence that our revised strategy is working. The Customer Net Promotor Score for all SAP solutions rose significantly – to 10 – in 2021. Moreover, analysts at leading market research companies attest that our solutions are leaders in each of the categories SAP serves, including ERP, SCM, procurement, HCM, CRM, and analytics.

Our partners play a key part in making SAP – and our client base – successful. More than 20,000 of them are helping customers transform and implement cloud technology. We would not be where we are today without them.
RISE with SAP: One Year On

Unveiled in early 2021, RISE with SAP is a holistic service offering designed to support companies as they embark on their digital transformation journeys and become intelligent, sustainable enterprises. One year on, we can confirm that RISE with SAP is a resounding success.

When SAP announced its first all-round digital-transformation-as-a-service offering, RISE with SAP, to the world on January 27, 2021, it was responding to the most compelling challenges and imperatives businesses face today. Our aim is to guide every customer on its own unique transformation and innovation journey. And that is precisely what RISE with SAP enables us to do. We show customers, step by step, how to reimagine themselves in the cloud: As well as transforming their business, they can move core processes to the cloud, migrate to a modular, agile ERP system, and deploy innovations such as our industry cloud, SAP Business Network, and SAP Cloud for Sustainable Enterprises solutions.

At the heart of RISE with SAP is the proven SAP S/4HANA ERP solution, but – and this is crucial – the offering is provisioned in the cloud only. Customers have a choice of two deployment models: public cloud and private cloud (SAP Investor, Annual Edition 2021, featured a detailed description of RISE with SAP). This signals an important change in SAP’s revenue streams. Whereas most of the revenue from on-premise solutions derives from one-time payments at the start of a contract, income from cloud subscriptions is spread over the full contract term, providing recurring – and therefore predictable – revenues for SAP. RISE with SAP is also a key growth driver for SAP S/4HANA Cloud and SAP Business Technology Platform.

Strong demand for RISE with SAP
In the first quarter of 2021, SAP signed more than 100 contracts for RISE with SAP – predominately with midsized enterprises. Demand remained strong into the second quarter and was fueled by the SAP Sapphire customer conference, leading to more than 250 new deals. It was already clear that RISE with SAP was also finding favor among larger international companies – and as the size of customer increased, so did the average contract value.

The third quarter of 2021 saw another 300 customers of various sizes and from various industries sign up to RISE with SAP – an upward trend that continued and became even more pronounced in the fourth quarter, when SAP closed 650 deals. The trend toward larger companies and larger contract volumes continued as well, with deals worth €5 million or more already accounting for 45% of all new contracts. In March 2022, Microsoft became one of the biggest RISE project customers since the offering’s launch.

The right product at the right time
SAP is on the right track. More than 1,300 customers of varying sizes have opted for RISE with SAP since its launch last year. Moving to the cloud is an essential part of becoming an intelligent enterprise – and RISE with SAP offers a direct path to it.
Technology as the Foundation for Sustainable Business Models

Companies and organizations all over the world use SAP solutions to manage their business, social, and environmental data. As such, SAP is uniquely positioned to help customers embed sustainability practices across their operations.

Sustainability is not just another buzzword: It’s a mindset. And every company’s future will depend on whether it can operate its existing business model sustainably – or transition to a new one. Business leaders recognize the need to tackle carbon emissions, climate change, the world’s massive waste problem, and inequalities in the workplace and in society as a whole. Consequently, there is a growing need to find ways for companies, academia, NGOs*, and governments to unite and take effective action. There is no question that enterprises moving swiftly to embrace green and socially responsible business will have a hugely positive impact on the planet and its population. At the same time, SAP knows that companies need to be profitable and sustainable. In the triple bottom line (people, planet, profit), “green” and social dimensions matter just as much as financial ones. As such, sustainability should be seen as a competitive advantage, not as yet another cost driver.

Our strategy
At SAP, sustainability is at the heart of everything we do to make the world run better and improve people’s lives. It has informed our ideas and actions for more than a decade.

We play a dual role in our efforts to make a positive impact on the economy, the environment, and society:

1. As an “enabler”, we offer products and services that address our customers’ sustainability imperatives and enable them to turn challenges into opportunities.

2. As an “exemplar”, we strive to make our own business processes and practices sustainable, providing a model for others to follow.

* Non-Governmental Organizations
Being accountable to customers in this way means we can learn from our own experiences to benefit them, and gives us the credibility we need to advise them as they transform into sustainable enterprises.

Since embarking on our own sustainability journey, we have ranked high in countless international comparisons. On the Dow Jones Sustainability Index, for example, we have led the software industry category for many years. We also plan to be carbon-neutral by 2023.

For more information about SAP's role as an exemplar and its sustainability projects, goals, and actions, turn to the section beginning on page 18.

One of SAP’s priorities is to channel the energy and resources it devotes to sustainability into those areas where it can have the greatest impact: incorporating nonfinancial metrics in performance management and reporting, climate action, circular economy, and social responsibility.

Our efforts as an enabler include:

- Creating the transparency required along supply chains to build products fit for circularity
- Connecting manufacturers with controlled, traceable sources of secondary raw materials
- Providing waste disposal operators with data to help them make targeted infrastructure investments

SAP also helps its customers become low-carbon companies and reach their climate targets by creating more efficiency, transparency, and accountability in relation to emissions along the supply chain and by developing new processes and business models.

New solutions for holistic approaches

In our role as an enabler, we supply our customers with software and solutions that help them reach their sustainability goals. To do so, they need comprehensive data from their business operations and their entire value chain. Having environmental, employee, and social indicators alongside financial ones means they are able to arrive at better decisions. These end-to-end holistic metrics are embedded in analytical and transactional applications. Managing a company by traditional financial performance measures and by sustainability dimensions is the foundation for transparent reporting. We launched several innovative solutions last year that support sustainability efforts.

One of these is SAP Product Footprint Management, which enables companies to track their carbon footprint, that is, to identify sources of CO₂ emissions at every stage of the value chain. The solution allows enterprises to determine, analyze, and reduce the carbon footprint of their products and processes, empowering them to act directly and make better business decisions. → Discover more about SAP Product Footprint Management in the Research & Development section beginning on page 12.

Another of our new solutions is SAP Cloud for Sustainable Enterprises, which brings together a portfolio of applications that enable businesses to holistically manage sustainability performance. The most comprehensive set of enterprise applications currently available for this purpose, it enables companies to integrate sustainability metrics seamlessly into their end-to-end business processes. Customers can select the solutions and functions they wish to include in their

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97% of the world’s greenest companies run SAP solutions

These more digitally mature enterprises have

higher ESG scores and

24% lower carbon emissions than their less mature peers.

Companies can avoid up to

14% of their carbon emissions just by deploying SAP software solutions.

Source: BRI (Best Run Intelligence) study

* An ESG rating measures a company’s exposure to long-term environmental, social, and governance risks. These risks, involving issues such as energy efficiency, worker safety, and board independence, have financial implications.
sustainability management portfolio. These can be deployed across a broad base for holistic management – or selectively, to spotlight specific aspects of sustainability performance in existing processes.

In late 2021, we announced SAP Sustainability Control Tower as the cornerstone of our sustainability management portfolio. Environmental, social, and governance (ESG) reporting is often a time-consuming and complex process involving many manual steps. Our new solution helps companies establish holistic management and reporting with a high level of automation and granular detail. Customers can set sustainability targets across the enterprise and gain actionable insight into their performance on them for more effective decision-making. And because they can measure and assign a financial value to impacts, they can maximize positive outcomes and disclose them to stakeholders. For a detailed description of this cloud-based solution, turn to the Research & Development section beginning on page 16.

Partnerships have a central role to play in driving the sustainability agenda, because the problems SAP and its customers face are bigger, more global, and more interconnected than ever before. Collaboration is key to creating meaningful responses. SAP recognizes that cooperation and systemic change are essential to solving the world’s social and ecological challenges. As an enabler, we work not only at customer level, but also with governments and NGOs around the globe, championing practical solutions. Our business network itself is one of the largest of its kind worldwide.

We are also involved in defining international standards. Traditional reporting approaches fail to account for the environmental and social impact of business activity, and thus do not accurately reflect a company’s value. Businesses need impact-weighted accounting metrics. SAP therefore cofounded the Value Balancing Alliance (VBA) to develop a standardized methodology to help companies, investors, and other stakeholders compare nonfinancial performance. These insights enable companies to create business value beyond revenue and profit growth, while taking into consideration the long-term impacts of their operations on the environment and society as a whole.

We want our solutions to play a big part in helping our customers do business more sustainably. Companies that focus on sustainable performance can potentially see their business outcomes improve because they reduce their legal and regulatory risk, enhance their reputation, and secure their social license. They are also able to attract and retain employees, win customers – and earn their trust and loyalty – and gain competitive edge. In short, businesses that prioritize green and socially responsible operations are capable of adapting and of unlocking growth potential: They are also better equipped to comply with new regulations.

**Digitalization is a driver**

With SAP customers generating 87% of total global commerce, we are uniquely placed to share valuable insights into how technology impacts profit and the environment. Companies that focus on digitalization generally perform better and have higher ESG ratings.
Quantifying Carbon Emissions with SAP Product Footprint Management

Sustainability goals are increasingly as important to business success as financial goals. SAP’s solutions let customers embed environmental and social dimensions in all their processes to manage the sustainability performance of their operations. Our new products complement SAP’s proven solutions for environmental, health, and safety (EHS) management. They are at the core of our Chasing Zero strategy for a sustainable future with zero emissions, zero waste, and zero inequality.

When companies embed emissions data into underlying business processes, leaders can drive real change by making conscious decisions across the entire value chain.
For a number of years now, customers have been using our SAP S/4HANA solution for EHS management to track and report on emissions within their own companies. Increasingly, though, they need insights into the environmental footprint of products that have a complex lifecycle and are part of global supply chains. Companies struggle to capture this much more extensive dimension, with many of them measuring the carbon emissions from their own manufacturing facilities only. The SAP Product Footprint Management solution, launched in September 2021, addresses this challenge.

Managing for sustainability
SAP Product Footprint Management is a cloud solution built on SAP Business Technology Platform (SAP BTP). Companies can use SAP BTP to implement innovations faster and unleash their potential (for more on SAP BTP, see page 7 of SAP Investor, Annual Edition 2021). SAP Product Footprint Management uses data from SAP BTP to compute at regular intervals the ecological footprint of all of a company’s products – and across the entire product lifecycle. This new solution marks a milestone on our mission to help customers make their businesses more sustainable. It helps them first gain the transparency they need on their current ecological footprint to then make informed decisions in real time.

Specifically, the new product means companies can track their emissions at every stage of the value chain, from upstream activities, to procurement, operations, and product manufacturing, and finally logistics. This matters because supply chain emissions are 11 times higher on average that those produced by the company itself. Having captured all the data in this way, it can then move toward lower carbon emissions and design more sustainable products whose footprint it can disclose to regulators.

SAP is uniquely placed to drive the shift to greater sustainability through collaborative and intelligent business networks. Because SAP Product Footprint Management integrates emission data from all the solutions used to run manufacturing processes – for instance master data from business applications such as SAP S/4HANA – companies can use it to calculate and compare the environmental impact of different manufacturing scenarios and to work to reduce it.

The launch of SAP Product Footprint Management reinforces SAP’s sustainability strategy. This strategy is aimed at offering products and services that not only help customers master the challenges and tap the opportunities of sustainable business but also make new business models and process innovation possible. A report by Boston Consulting Group found that having transparency on their data enables companies to lower their carbon emissions by between 30% and 40% while at the same time save costs.

Capabilities of SAP Product Footprint Management
SAP Product Footprint Management contains an array of features to help companies manage their ecological impact:

1. Data acquisition
The software embeds sustainability data in SAP S/4HANA and that way enables businesses to capture environmental impacts accurately. The first version of the solution focused on the carbon footprint at individual product level. In the future, it will also capture water and energy consumption, and land use.

2. Data management
SAP Product Footprint Management contains a template for organizing all information that serves as a framework for sustainability data. Having this information in one central place helps companies assess their sustainability efforts.

3. Footprint calculation
SAP Product Footprint Management enables customers to understand the environmental impact of a product at any stage in its lifecycle. The calculation function determines a product’s overall footprint by starting with, for example, the carbon emissions of the purchased materials, and then factoring in downstream activities, such as the carbon footprint resulting from how the product is typically used. Every partner in the supply chain can view the product’s environmental impact at each phase and change their part of the process if desired.

4. Footprint analytics
The solution’s reports on overall emissions and values by product deliver insights into sustainability data. Companies can use these reports to help make their products more sustainable, also by modifying their design and their procurement processes.
Going Circular with SAP Responsible Design and Production

Today’s global economy consumes resources in a take-make-waste approach. Contrast this with a circular economy in which manufacturing is designed to reuse, repair, and recycle materials to reduce its impact on the environment. The SAP Responsible Design and Production solution helps companies embed circular economy principles in their core business processes to make their manufacturing more sustainable.

Closing the loop faster with digital technologies
Businesses have to rethink how they design and manufacture products and how their products are used if they are to create sustainable value. Digital solutions play an important role in the transition to a circular economy. They enable businesses, by adopting responsible manufacturing practices, to reduce waste and design products that are sustainable. The SAP Responsible Design and Production solution, built jointly with customers and partners, is the latest offering in a growing portfolio of sustainability-specific software applications that help businesses increase their measurement and data management capabilities. SAP Responsible Design and Production, like SAP Product Footprint Management, is built on SAP Business Technology Platform.

Launched in November 2021, the cloud-native solution helps companies move sooner from a conventional linear economy to a circular one. It gives them better visibility of material flows through their processes including tracking and complying with rapidly-changing regulations, especially those concerning product packaging and plastics. Given the strong trend toward sustainable products, companies, especially in the consumer goods sector, have to meet the challenge of managing material and compliance data. Tracking thousands of products and materials across hundreds of regulatory systems in multiple regions is one of the greatest complexity challenges facing global brands in the years ahead.

How SAP Responsible Design and Production works
First and foremost, SAP Responsible Design and Production is built to help companies master the complexity of packaging regulations and new taxation regimes. The solution offers tailored information businesses can use to keep pace with extended producer responsibility regulations and taxes, such as those on plastics. These extended producer responsibility (EPR) regulations are aimed at making manufacturers responsible for taking their products back after consumers have finished using them, and for transporting, disposing of, or recycling these items. Large, global players in particular have to deal with the added complexity of ensuring compliance with product regulations across different regions.

SAP Responsible Design and Production enables global consumer products companies to accurately calculate packaging fees and meet packaging regulations for a particular market. They must assess the data, understand any exceptions and challenges to the data quality, and ensure compliance. EPR experts can use the solution to draft an assessment of the policies and fees that apply.

For example, a shampoo brand manager has visibility into the full product lifecycle, including their EPR and the plastic taxes of different markets. This visibility helps them make design changes to reduce waste and decisions on how to lower the costs of reuse and recycling systems.
An analytics capability in SAP Responsible Design and Production allows users to see the implications of different regulations for their product portfolios. All this information together helps them track progress on their commitments, such as the elimination of problematic or unnecessary single-use packaging.

**Sustainable, circular supply chains are the future**

The SAP Responsible Design and Production solution helps businesses adopt a circular economy approach. Meeting this challenge while coping with the complexity of today’s supply chains requires the latest advances in technology. Customers have to adapt to new business models by reconfiguring their processes so that they follow circular economy principles from the outset.

SAP Product Footprint Management and SAP Responsible Design and Production together create a unique opportunity for companies jointly to drive decarbonization across value chains and industries. After all, circulating products and reusing materials could eliminate 45% of carbon emissions, a study by the Ellen MacArthur Foundation found.

According to a report by the World Economic Forum and Ellen MacArthur Foundation, only **14%** of plastic waste is collected for recycling. The rest ends up in a landfill or in oceans and waterways, where it adds to global warming.

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**14%**

of plastic waste is collected for recycling. The rest ends up in a landfill or in oceans and waterways, where it adds to global warming.
SAP Sustainability Control Tower: A Commanding View

In response to growing demand for innovative solutions, SAP launched a slew of new products for sustainability in 2021. They are also part of the company’s drive to broaden its target market and raise the bar on value creation. Its embedded sustainability dimension puts SAP’s product portfolio in a unique position. Specifically, the SAP Sustainability Control Tower solution helps enterprises steer their business according to a combination of traditional and sustainability-related performance indicators.

After last year’s United Nations Climate Change Conference of the Parties (COP26) and the latest report by the Intergovernmental Panel on Climate Change (IPCC), everyone agrees that we need to move faster on reducing greenhouse gas emissions. It is also clear that a fair transition to a climate-neutral economy will not come cheap. Businesses that take seriously their responsibilities toward investors, customers, partners, and society as a whole cannot afford to waste time or money when it comes to aligning their sustainability ambitions with their actions.

SAP has long understood the importance of measuring sustainability progress holistically by connecting financial and nonfinancial data, as demonstrated by the fact that we publish an integrated report, which is now in its tenth year (see also https://www.sap.com/integrated-reports/2021/en.html). The Climate 21 initiative we launched two years ago to help companies become sustainable businesses is further proof of how we are leading the way.
We know that the days of fragmented reporting are over. And now, many more businesses recognize the importance of having transparency on environmental, social, and governance (ESG) impacts. But many of them struggle with a multitude of reporting frameworks and lack the data to produce consistent, investor-focused disclosures.

Increasingly, consumers want to know the provenance of the products they buy. They want to be assured that they are making choices based on data they can trust. One study on consumer behavior found that, between 2015 and 2019, the share of products marketed as sustainable grew seven times faster than that of other products, delivering 54.7% of the growth in the consumer goods sector.

The cloud solution combines a company’s critical ESG metrics into one aggregated view that provides users with all the relevant business process information at a glance. Data from SAP and non-SAP applications is integrated in a central sustainability data warehouse. This data, sourced from accounting, HR, real-estate, and operations, is harmonized, allocated, and calculated. These results enable faster decision-making in response to events that, if unrecognized, would risk the company missing its targets. Management can then drive targeted action by giving business units a dedicated view of their sustainability performance. Established ESG reporting frameworks can be used to analyze and document business sustainability data for disclosure to the public and regulators to strengthen trust in the company.

**Reporting to global ESG standards**

The reports and information in SAP Sustainability Control Tower help companies comply with the main international standards on sustainability disclosures. The solution uses the Stakeholder Capitalism Metrics issued by the World Economic Forum (WEF). They can be applied by companies to align reporting on performance against ESG indicators and include nonfinancial disclosures across four pillars: people, planet, prosperity, and principles of governance. The Stakeholder Capitalism Metrics are a set of common performance indicators drawn from the various ESG frameworks to make comparison of disclosures from different companies easier, also across industries and regions.

This approach to a universal framework incorporates metrics from the following standard-setting bodies: the Global Reporting Initiative (diversity and anticorruption metrics), the Science Based Target Initiative (metrics on climate change), the Sustainability Accounting Standards Board (water and climate metrics), and the Qualitative Task Force on Climate Related Financial Disclosures (metrics related to governance, strategy, and risk management).

**New solution on an established platform**

SAP Sustainability Control Tower leverages SAP Business Technology Platform to give companies the agility and flexibility they need to quickly adapt to new and changing requirements without having to write code. Its ability to incorporate real-time SAP and non-SAP data from multiple sources is key, and provides businesses with the insights they need for decision-making – at a speed and level of quality that manual processes cannot match.

SAP worked closely with numerous customers and partners to test SAP Sustainability Control Tower during development to ensure it meets market requirements and is focused on users’ needs. We regularly incorporate feedback from our customers to improve the product and adapt the road map to their priorities. Partnerships with BCG, Deloitte, EY, and PwC help reinforce SAP’s strong value proposition to its customers on ESG reporting and climate compliance.

**Integrated solution for all dimensions**

The release of SAP Sustainability Control Tower represents another significant milestone in our mission to establish the “green line” alongside the top and bottom lines as key dimensions of business performance. This solution addresses fragmented financial reporting by giving companies tools not only to help improve their top and bottom lines but also, through sustainability metrics, their environmental, social, and governance performance. In equipping them with financial as well as ESG indicators and allowing them to fully assess global impact both within their operations and across their business networks, SAP enables them to transform into intelligent – and sustainable – enterprises.
Sustainability is firmly anchored in SAP’s business strategy. Our aim is to create positive economic, environmental, and social impacts in line with a set of defined “planetary boundaries” within which humanity can survive, develop, and thrive. To achieve this aim, we provide software that empowers our customers to make their business more resilient and sustainable. And we see ourselves as a role model for others, leading by example and demonstrating how we are making our own processes sustainable.
Sustainability is one of the defining issues of our time. Climate change, waste, social inequality, and demographic change – we must overcome all of these challenges if we are to secure a livable future for all. Companies have a major responsibility here because of the impact of their business activities. But they also have the opportunity and the ability to make changes for the better.

Since 2009, SAP has aligned its operations with sustainability criteria. We work to bring about positive change and help tackle the climate crisis by being both an enabler and an exemplar: Through our products and services we act as an enabler, helping our customers drive their sustainability initiatives (see Strategy, page 9 ff for more information); in our efforts to run our own business sustainably, we aim to lead by example.

Under its holistic sustainability strategy, SAP directs its resources to where it can have the greatest impact, that is in managing and reporting financial and sustainability performance; in protecting the climate; in supporting the circular economy; and in being a socially responsible business.

### Accounting for social and environmental impact
When, in 2012, SAP merged its sustainability and annual financial reports into an integrated report, it was one of the first German companies to do so. This move entailed adopting an integrated management system that measures, connects, and manages both financial and nonfinancial KPIs that then inform strategic and operational decision-making processes. As such, decisions are no longer based solely on traditional factors such as revenue and profit but also on how they interrelate with nonfinancial values, such as employee satisfaction and carbon emissions, and the impacts of SAP’s business activities on society, the environment, and the economy as a whole.

### Sustainability targets as part of the Executive Board compensation
In reflection of their importance to SAP, sustainability targets have been part of the Executive Board members’ compensation package since 2020. As such, the package is an effective lever for ensuring that nonfinancial goals are relevant for SAP’s business, also at the highest management level.

In the Executive Board members’ one-year, performance-based compensation, the sustainability KPIs have a total weighting of 20%, with each of the following targets weighted at 6.67%:

- Customer net promoter score, which measures customer loyalty
- Employee engagement index, which tracks the level of employee commitment, loyalty, and pride in working for our company
- Carbon impact, which measures SAP’s greenhouse gas emissions in kilotons.

See the Compensation Report for more information about Executive Board compensation:

### Standardizing the ESG reporting landscape
SAP has been leading the way in combining management and reporting by traditional financial performance indicators with that of nonfinancial (environment, social, and governance, or ESG) metrics. Accounting systems tend to ignore the value of environmental and societal impacts, often leading to the misallocation of resources. In contrast, the increasing regulatory requirements on sustainability reporting, both at EU and at national and international level, highlight the need for new standards reflecting environmental, social, and governance criteria. One of SAP’s responses here was to cofound the Value Balancing Alliance (VBA) in 2019. This international initiative is working to develop a standardized method for determining the monetary value of social and environmental impacts so that businesses, investors, and other stakeholders can more easily compare nonfinancial performance.

As a member of VBA, SAP is helping devise and pilot these methods. As part of a second pilot project, which ended in November 2021, we analyzed categories such as health and safety, training, greenhouse gases, and waste to establish the social impacts of our business activities, also in the upstream part of the supply chain, for the first time. These insights will inform our sustainability management initiatives on carbon neutrality, human rights due diligence, and on our integrated reporting, from 2022 onward.

For SAP and its subsidiaries, for instance, the negative impact of greenhouse gasses was determined to be €136 million. This information helps us quantify the investment required to avoid, reduce, and compensate for emissions so that we can achieve carbon neutrality in our operations at every location by 2023.
Accelerating Climate Action

SAP has been cutting its greenhouse gas emissions for more than 10 years now. It is constantly refining its climate targets so that it can fight climate change and continue to serve as a role model.

2009
SAP first takes action to actively reduce its greenhouse gas emissions and commits to reducing its carbon emissions to the level they were at in the year 2000 by 2020. This target was met at the end of 2017, even though SAP grew more than fourfold over the period.

2017
With its carbon emissions reduced to the level they were at in the year 2000, SAP now pledges to make its own operations carbon-neutral by the end of 2025 to help meet the 2015 Paris Agreement target. SAP is also the first German company to set itself a science-based climate target under the Science Based Target Initiative (SBTi) in committing to reducing emissions along its entire value chain by 85% by 2050, compared to 2016 levels.

2019
SAP is one of the first companies worldwide to commit to SBTi’s science-based Net-Zero Standard, which provides a credible and independent assessment of corporate net-zero target-setting in line with climate science, enabling companies to align their near-term and long-term climate action with limiting global warming to 1.5°C.

2021
To account for the impact of the COVID-19 pandemic on its carbon emissions, stay a role model on sustainability, and remain ambitious, SAP announces its intention to make its own operations carbon-neutral by the end of 2023 – two years earlier than previously envisaged. The target includes all direct (“scope 1”) and indirect (“scope 2”) carbon emissions, and selected categories of value chain (“scope 3”) emissions.

2022
SAP commits to achieving net zero along its value chain by 2030 – 20 years earlier than originally targeted – in line with the SBTi Net-Zero Standard. SAP made this decision with a view to the 1.5°C future set out in the Paris Agreement, and the climate and social crises seen around the world. Net zero includes not just scope 1 and 2 emissions, but all scope 3 emissions from along SAP’s value chain, too – in other words, all emissions from the SAP products that customers use.

Scope 1: All direct emissions from sources that are owned or controlled by the organization. At SAP: Stationary combustion and refrigerants in facilities, mobile combustion and refrigerants in corporate cars, and mobile combustion in corporate jets.

Scope 2: Indirect emissions from the consumption of purchased electricity, steam, or other sources of energy generated upstream from the organization. At SAP: Electricity in offices, electricity in data centers, and utility-supplied chilled and hot water.

Scope 3: Other indirect emissions that occur in the value chain. At SAP: Rental cars, business flights, train travel, business trips with private cars, employee commuting, electricity at external data centers, electricity used by hyperscale services, and logistics.

Net zero
Companies that follow a net-zero emissions strategy pledge to reduce their greenhouse gas emissions along the value chain to a level that is in line with the 1.5°C target set out in the Paris Agreement.
Making Processes More Sustainable

SAP has embedded sustainability in its business processes. To become carbon-neutral by 2023, it is following a three-pillar approach: “avoid – reduce – compensate.”

1. Avoid
When possible, SAP aims to avoid generating greenhouse gasses. This is a top priority for the company.
- To achieve it, SAP encourages, for instance, virtual meetings instead of business trips.
- Under our new “Pledge to Flex” model, employees can choose where they work, which enables us to save significantly on emissions from commuting.

2. Reduce
If emissions cannot be avoided, SAP strives to reduce them and increase efficiency.
- In practice, this means energy-efficient buildings, efficient cooling systems in data centers, alternative travel options (carpooling, car sharing, and electric vehicles), and so on.
- From 2025, SAP will add only zero-emission vehicles to its 27,000-strong fleet worldwide so that it too becomes carbon neutral.

3. Compensate
SAP offsets unavoidable emissions by supporting climate projects and working with partners who meet the “Gold Standard”* or equivalent quality requirements.
- Since 2012, SAP has provided long-term investment to the Livelihoods Carbon Funds for reforestation and climate projects. It has so far invested more than €9 million in the initiative.
- In support of the UN Decade on Ecosystem Restoration (2021-2030), SAP joined the 1t.org Corporate Alliance and committed to planting 21 million trees by the end of 2025.
- SAP is a member of the LEAF (Lowering Emissions by Accelerating Forest finance) Coalition, which is fighting climate change by mobilizing funds to protect tropical and subtropical forests. SAP has committed around US$2 million to this initiative.
- SAP has also launched initiatives inside the company: It charges an internal carbon price for business flights, and encourages carbon-neutral business trips by train, for example.

*Gold Standard is an independent program that certifies high-quality carbon offset projects.
Social Responsibility: Equality for All

SAP wants to eliminate inequality and is taking a number of steps toward doing so. We are committed to respecting and promoting human rights across our operations, extended supply chain, and product lifecycle. We follow the United Nations’ Guiding Principles on Business and Human Rights.

Our focus is on improving lives, working conditions, and opportunities along ethically responsible value chains. Through our social responsibility projects, we work to ensure equitable access to quality education and employment by strengthening digital skills and supporting nonprofit organizations and social enterprises. SAP supports employees’ volunteer work and their health and well-being, and promotes a diverse and inclusive workplace as well.

We also expect our business partners to respect human rights and avoid complicity in any abuse. But the systematic abuse of human rights has been a global problem for many years. To counter it, the number of legal requirements concerning human rights due diligence is growing. For instance, under the new German Supply Chain Due Diligence Act, medium and large enterprises must, from 2023, set up a human rights risk management system for supply chains.

SAP is responding here by extending its product solutions to help customers embed human rights standards into their own business. We launched the “Human Rights Due Diligence” project in September 2021 to lead by example in strengthening our own structures, guidelines, and processes. Through this project, SAP wants to:

- Proactively ensure compliance with new regulations (such as the German Supply Chain Due Diligence Act, and EU Taxonomy) and existing laws (Modern Slavery Act in the UK and Australia, for example)
- Establish organizational readiness for global human rights due diligence based on the UN Guiding Principles for Business and Human Rights, and the OECD Guidelines for Multinational Enterprises

Focusing on the Entire Value Chain

To make all its operations carbon-neutral, even along its downstream value chain, and meet its net-zero target, SAP is focusing on the following key activities to reduce its emissions:

- Accelerating the migration of on-premise customers to the cloud
- Strengthening its engagement with key suppliers to commit to net zero and deliver products and services on a carbon-neutral basis
- Using best-in-class data centers (our own, our co-locations, and those of hyperscale providers) with sustainable programming and a cloud carbon footprint calculator for all SAP cloud solutions
- Increasing direct investment in renewable energy and in nature-based and technical removal projects aimed at neutralizing residual carbon emissions.

Finding alternatives to single-use plastics

SAP concluded its “Beyond Single-Use Plastics” project in 2021, having successfully phased out and found alternatives for nearly all single-use plastics at the company. SAP cafeterias have almost totally eliminated single-use plastic products such as cups, stirrers, straws, and cutlery. Single-use plastic bottles have been replaced with glass ones, and other plastic items such as trash bags, packaging for snacks, and juice and milk cartons have been significantly reduced. Through close collaboration with our supplier network, we were also able to minimize single-use plastics in our internal procurement processes.
Reduction in net carbon emissions per employee to 1 ton (t) in 2021 (2019: 3.0 t; 2009: 9.2 t)

Earned “AAA” ESG rating from Morgan Stanley Capital International (MSCI) in April 2021

SAP ranked second of 83 in its sector in the Moody’s ESG Solutions assessment in January 2022.

Reduction in net carbon emissions to 110 kilotons (kt) in 2021
Down 25 kt on 2020 (135 kt)
35 kt below original 2020 target of 145 kt

SAP received prime status and the top score in both the social and environmental quality dimension in the Institutional Shareholder Services’ (ISS) ESG Corporate Rating.

In EcoVadis’ most recent sustainability assessment of August 2021, SAP was again awarded a gold medal and maintained its position in the top two per cent, achieving a score of 72 out of 100.
The Future of Work at SAP: Flexible and Based on Trust

The world has experienced immense change in recent years, and the workplace is adapting to keep up. A new era in the way we work has begun, and one thing is certain – the way SAP employees work will change too. We’re moving into a brave new world here – one that’s more flexible, more innovative, and more inclusive. The question is how, where, and when will we work, and with what? SAP has responded with Pledge to Flex, a commitment to provide employees with more flexibility in their working environments going forward. Because the future of work naturally starts with our people.

The Future of Work Pulse Survey in 2021 revealed that:

- 94% of employees plan to take advantage of the flexibility provided
- 16% prefer to work only remotely
- 49% plan to work in the office for one or two days per week
- Only 6% plan to work in the office for a full five days per week
Globalization, demographic change, and increasing digitalization are constantly changing the way we work. And the COVID-19 pandemic has only served to amplify that trend. At the same time, workers’ attitudes and expectations of their working environments have shifted, and the competition for top talent has intensified. To remain successful in this new environment, retain the best staff, and attract new employees, SAP will continue to evolve our organization toward greater agility and innovation. We already promote a corporate culture in which employees feel appreciated and supported, for example by paying attention to their needs and expectations and providing the tools and solutions they need to do their job safely and effectively.

But what exactly does “future of work” mean? Simply put, the future of work is the interplay between people, processes, and technologies. Itself shaped by changes in the workforce and the increased use of intelligent technologies in the digital workplace, it compels companies to integrate new technologies and processes into the workplace. What’s more, it forces managers to adopt new mindsets on how work and life can be best harmonized with business goals and needs.

How SAP employees picture their working environment

SAP polls its employees regularly to find out more about their opinions and concerns, and act on their feedback. To help us design a more empowering work style going forward, we recently introduced a special “Future of Work Pulse Survey” (see page 24 for the results).

The different preferences showed that, with over 100,000 employees globally, there is no one-size-fits-all solution. SAP therefore developed flexible work models that motivate and enable employees to run at their personal best, both now and post-pandemic.

Pledge to Flex: The future of work at SAP

“Pledge to Flex” is SAP’s answer to the changing demands of an evolving work environment. Building on our proven ways of remote work that our employees have enjoyed across the world for decades, it satisfies their increased desire for more flexibility and leads to a better understanding of how productivity and flexibility can successfully interact.

As a hybrid work model, Pledge to Flex allows for maximum autonomy going forward so that SAP employees can decide when and where they work, as long as this does not conflict with their tasks and the needs of the business. At the same time, the approach aims to foster easy and smooth collaboration, regardless of where people are located.

Pledge to Flex has three core components:
1. Flex Work
2. Ways of Working
3. Digital Workplace

Flex Work

Flex Work is a flexible and trust-based workplace model comprised of several modules:

“Flex Time” and “Flex Location” both afford employees scope to decide when and where they work. We have staff in more than 150 countries. So it is not unusual for SAP employees on the west coast of North America, say, to work longer than usual on some days to attend meetings with colleagues in the Asia Pacific region. Thanks to Flex Work, our employees can compensate for this additional working time with time off at a later date.

“Flex Workspace” is aimed at providing tailored SAP office designs that enable our people to find the right space for every task. For example, there are designated areas for creativity and team collaboration, areas reserved for quiet, focused work, and areas that promote SAP culture and community.

SAP has already rolled out flex workspaces at various locations including Budapest, Hong Kong, London, Montreal, Sydney, and Zurich. The idea is to set up more flexible workstations and continue to accommodate all employees who choose to come into the office. To that end, the workstations are shared, monitors are fixed to the desks, and all desks are height-adjustable. Employees bring along their laptops, can store their personal belongings in a locker, and take everything home with them again at the end of their day. We are currently in the process of transforming several buildings at our headquarters in Walldorf into flex workspaces.

This new concept has proven very popular among SAP employees. In Hong Kong, for example, it has improved the employee experience 25 percentage points compared to the “old” office environment.

Design concepts for flexible future-of-work facilities

- **Concentration**: Rooms and spaces for quiet, focused work
- **Collaboration**: Rooms and spaces for interactive project work and co-creative processes
- **Communication**: Rooms and spaces for formal and informal meetings, routine/in-the-line collaborative teamwork, and for Web and video calls
- **Community**: Rooms and spaces for socializing and gathering
Ways of Working

Ways of Working prioritizes the health of our people through dedicated “Health & Well-Being” offerings. After all, employees can only give their best when they feel their best. SAP also promotes the health of its employees with such programs as “Are you OK?” – a mental health initiative that includes a Company-sponsored global vacation day for all employees: First held in 2021, “SAP Mental Health Day” gives SAP employees the opportunity to switch off from work to rest, reflect, and take time for themselves.

In addition, our Employee Assistance Program is available around the clock for employees and their dependents, offering confidential support and psychological counseling to help deal with life crises.

But physical health and well-being are not the only things that matter – psychological safety, open and honest dialogue, and trust are important to us, too. That is why we actively support collaboration among our people through various other initiatives such as special training courses for virtual teams, and moderated workshop formats that encourage employees to exchange views on the quality of collaboration, leadership, and team structure.

Furthermore, we aim to foster a healthy corporate culture and employees’ sense of belonging through tools, joint activities, and perks in our offices. Every floor of every SAP building, for example, has coffee corners offering coffee, tea, and water, where employees can sit and chat. This is an important part of our company culture because, in addition to strengthening the sense of togetherness, it promotes networking and collaboration though relaxed, informal conversations. After all, teamwork is part of SAP’s DNA.

Digital Workplace

The digital workplace is a virtualized form of the traditional, in-person office environment. As an intelligent enterprise, SAP is a lighthouse for the workplace of the future, enabling employees to work in the best possible way in a hybrid environment, whether alone, together, in the office, or virtually.
Superior, employee-centric applications are at the heart of the optimal digital workplace. To increase productivity and maximize the efficiency of our people and teams, for example, SAP leverages the latest intelligent technology based on SAP Business Technology Platform (SAP BTP). It serves as a central, cross-service platform from which our employees can access services and functions as well as data from various sources ([for more information about SAP BTP, see SAP Investor, Annual Edition 2021](#)). On the central “Fiori Launchpad” application, employees can compile the apps they need for their respective roles, see status messages at a glance, and quickly react as needed, be it by releasing invoices, updating their inventory, or processing vacation requests. The Fiori Launchpad works on all devices – computer, tablet, or smartphone.

A number of apps support SAP employees in the new hybrid setup, too. The “FlexConnect” app, for instance, enables employees to connect and collaborate with their peers at their respective locations. Not only does it provide information about which offices are open again following the pandemic and how employees can return to the office safely, it also shows which colleagues are in the office at a given time, and enables employees to reserve a workspace for the day they wish to work onsite.

**Heading into a new future**
We are designing the future of work together with our people, because creating a positive employee experience and listening to their needs and expectations are our top priorities. In Pledge to Flex, we are offering an employee-oriented work model that will also drive SAP’s future success. By combining the benefits of face-to-face communication in the office with different work models, we are forging a hybrid working environment that satisfies our employees’ individual preferences, thus maximizing employee experience and performance. SAP has all the tools necessary to shape this hybrid future successfully and sustainably so that employees and customers alike profit from greater flexibility, motivation, and innovation.

**Starting a career at SAP – Remotely**
New SAP employees and early talents should be given the best possible training from the outset. But how are they supposed to gain a proper foothold in an environment where colleagues no longer all come into the office every day? That’s where the digital workplace can help. SAP now delivers laptops, cellphones, and other office equipment directly to employees’ homes, which means they now have access to SAP systems anytime, anywhere, and on any device. What's more, meeting rooms are equipped with the latest (video and audio) technologies so that everyone, whether in-person or virtually, “sits at the same table.” And, thanks to the enhanced support from HR and IT, employees get fast help by e-mail or phone in the event of problems.

### Employees from 150+ countries

### Number of employees 107,415 (full-time equivalent)

### Employee Engagement Index 83% (–3pp)

### Business Health Culture Index 81% (+1pp)

### Women in Management 28.3% (+0.8pp)

### Starting a career at SAP – Remotely
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Half a century has passed since five ambitious software engineers founded “Systemanalyse Programmentwicklung,” the small private partnership that would later become SAP. Pivotal events and moments from the last 50 years chart a remarkable journey that has earned SAP a unique place in German business history and made its software mission-critical for companies all over the world.

1972
**Beginnings**
Dietmar Hopp, Hasso Plattner, Claus Wellenreuther, Klaus Tschira, and Hans-Werner Hector leave IBM and found a company called Systemanalyse Programmentwicklung (meaning “system analysis program development”). Their goal is to create software that integrates all business processes and makes data available in real time.

1975
**The logo**
“SAP” is now a familiar brand name; the first logo appears on its letterhead.

1977
**Relocation**
SAP moves its headquarters to rented office space in a bank in Walldorf, but continues to do the bulk of its development work at customer data centers.

1979
**Venturing farther afield**
SAP installs its software outside Germany for the first time – at Swiss customers Coop and Georg Fischer.

1981
**Next generation launches**
SAP R/2 launches and quickly achieves the same high levels of stability as its predecessor.

1985
**International operations**
Five employees from Walldorf move to the new office in Switzerland and begin supporting the company’s international business. By the end of 1985, more than 250 people work at SAP, and revenues hit DM61 million.

1988
**Transformation, going public**
SAP becomes SAP AG, a publicly-traded company. In two increments, it increases its capital stock from DM5 million to DM60 million. In October 1988, it lists on the Frankfurt and Stuttgart exchanges, issuing 1.2 million bearer shares at DM750.

1992
**The next generation**
Following successful installations at selected pilot customers, SAP releases SAP R/3 to the market and enters a new era of growth.
1998
**SAP on the Big Board**
On August 3, 1998, the letters “SAP” appear for the first time at the New York Stock Exchange, the world’s largest trading floor. SAP co-CEO Hasso Plattner calls the company’s debut on Wall Street an “essential and momentous milestone in SAP’s history.”

2008
**Sustainable business**
Demonstrating its commitment to more socially responsible business practices, SAP publishes its first Sustainability Report.

2014
**A European Company**
SAP changes from a German stock corporation to a European Company (Societas Europaea, SE), underscoring its international orientation. Five of the SAP Supervisory Board’s 18 members are from countries other than Germany.

2017
**SAP to be carbon neutral by 2025**
SAP commits to become carbon neutral in its operations by 2025. The company will continue existing initiatives and programs to drive efficiency and innovation to avoid and reduce GHG emissions, following its “avoid – reduce – compensate” approach.

2018
**Vision for the Intelligent Enterprise**
At SAPPHIRE NOW, SAP rolls out its vision for the Intelligent Enterprise and announces its ambition to disrupt the marketplace for customer relationship management (CRM) by launching a new suite of applications, called SAP C/4HANA.

2021
**SAP Fioneer**
To better serve a rapidly changing banking and insurance industry, SAP partners with investment company Dediq GmbH. The two companies set up SAP Fioneer.

**Founders**
1. Dietmar Hopp
2. Hasso Plattner
3. Claus Wellenreuther
4. Klaus Tschira
5. Hans-Werner Hector
The SAP logo – clear and distinctive

A brief history of the SAP logo

Although SAP was still trading as “Systemanalyse Programmmentwicklung” in 1975, the abbreviation “SAP” was well established and featured on the new logo the company introduced that year: a striped square with a “wing” attached (pointing up from bottom left to top right to symbolize the company’s performance trajectory). The logo color – a standard share of blue – was chosen purely to keep printing costs down. Though simple, the design was both clear and distinctive, and SAP used it for almost 25 years. Not until 1998 did a new logo appear, first on SAP’s annual report. This version had a plain blue background instead of stripes. But that was set to change again at the start of the new millennium, when the square and wing merged, the background color changed to dark blue, and the script became larger – with a curved bar on the letter “A” that made it look as if it were smiling. While retaining its familiar “anvil” shape, SAP replaced the logo’s solid dark blue background at the end of 2010, opting instead for a lighter blue gradient design.

The first, linear SAP logo also adorned the historic SAP preferred share for five Deutsche Mark.
SAP at 50: reflections on the past and visions of the future in words and pictures

In 1972, SAP's five “founding fathers” wrote the first chapter in a unique story of technological and business success. Though firmly rooted in Walldorf, SAP was very soon serving customers in other parts of the world, too. Today, it has a truly global presence and is a valued partner to large enterprises and SMEs in many industries.

To mark its 50th anniversary, SAP has created a commemorative book that delves into the past, looks ahead to the future, and asks, “Where did SAP come from? Where will it go next?” Interspersed with images from the company’s history and compelling personal stories are insightful articles on subjects such as the founders’ influence on company culture and SAP’s own sustainability journey. Three expansive chapters explore the background to the company’s success, its impact on business and society, and its plans to play its part in helping shape the future of the planet. This book is also an homage to SAP’s five founders, whose innovative spirit and vision made it possible for SAP to evolve into the company it is today – and whose solutions ensure the wheels of the global economy keep turning.

Available in English and German, this 360-page hardcover book in a special large format (240x300mm) will be published on July 31, 2022, and costs €39. ISBN: 9 783938 833599.
2021 was a successful year for SAP, one marked by dynamic growth that successfully drove our accelerated cloud transformation. More and more companies are using these uncertain times to reinvent themselves, choosing SAP to help them transform their businesses into intelligent, connected, and sustainable enterprises. This evolution is reflected in our financial results, proving that we are on the right track.

We will therefore intensify our focus on our cloud goals and efficiencies going forward, because this strategy provides the ideal framework for delivering sustained and faster growth both now and in the future – for our customers, for SAP, and for our shareholders.

Revenues by Region (Non-IFRS)

- Americas (39%): €10.97 B
- Europe, Middle East, Africa (45%): €12.59 B
- Asia Pacific Japan (15%): €4.28 B

Total Revenue: €27.84 B (+2%)

Revenues by Type (Non-IFRS)

- Cloud: €9.42 B (+16%)
- Software licenses: €3.25 B (−11%)
- Software support: €11.41 B (−1%)
- Services: €3.76 B (−8%)

Profitability (Non-IFRS)

- Operating profit: €8.23 B (−1%)
- Cloud gross margin: 69.5% (−0.2pp)
- Operating margin: 29.6% (−0.7pp)

Financial Situation (IFRS)

- Free cash flow: €5.05 B (−16%)
- Net debt: €−1.56 B (−76%)
- Debt ratio*: 0.2x (2020: 0.8x)
- Equity ratio: 58% (+7pp)

* Net debt to EBITDA
Consolidated Income Statement of SAP Group (Condensed)

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Consolidated Statements of Financial Position of SAP Group (Condensed)

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<td>Goodwill</td>
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<td>58.46</td>
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<tr>
<td><strong>Equity and liabilities</strong></td>
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<tr>
<td>Trade and other payables</td>
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<td>Contract liabilities</td>
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<td>28.54</td>
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</tr>
<tr>
<td>Total equity and liabilities</td>
<td>71.17</td>
<td>58.46</td>
</tr>
</tbody>
</table>
Accelerated cloud transformation pays off
Whether RISE with SAP, SAP S/4HANA Cloud, SAP Business Network, or SAP Cloud for Sustainable Enterprises – SAP’s ever more comprehensive cloud portfolio has the solutions our customers need to become resilient, intelligent, connected, and sustainable businesses that can stand the test of time. Moving to the cloud is not an option anymore but a required step in business transformation for our customers. And it’s proving increasingly popular with them, as our dynamic cloud growth has shown. But for SAP, this trend means more than just growth. It also means more reliable planning due to the share of more predictable revenue, which increased three percentage points (pp) in fiscal 2021 to reach 75% of total revenue. First-quarter 2022 figures confirm this momentum: Cloud revenue (non-IFRS) increased 31% to €2.82 billion. The share of more predictable revenue was 81% (up 3pp compared to the first quarter of 2021). Current cloud backlog increased 28% to €9.73 billion.

Revenue higher despite change in revenue structure
License revenue streams and cloud revenue streams have very different booking and margin profiles. As such, SAP’s shift from the former to a higher share of the latter during its transformation phase is influencing the Company’s revenue and operating profit numbers. Total revenue (non-IFRS) increased 2% in 2021 to €27.84 billion. Of this, €9.42 billion was from our cloud business, which grew 16%. Software license revenue declined 11% to €3.25 billion as expected. Despite a stable customer base and continued demand for our software, support revenue declined to €11.41 billion – primarily due to unfavorable exchange rates and the accelerated cloud transition of our customers. Revenue from services decreased to €3.76 billion. In the first quarter of 2022, total revenue (non-IFRS) increased to €7.08 billion (+11%). Given the continued strong momentum of our cloud business, we now aim to grow our total revenue to more than €36 billion by 2025.

Significant investments and continued cost discipline
At SAP, we have been maintaining rigorous cost discipline for many years now. Among other things, this enabled the Company to exceed its outlook for 2021 despite investments in innovation and in growth markets to further our transformation to a cloud company. These investments are reflected in the increase in headcount (+4.9%) and in research & development costs (+12.4%). Non-IFRS operating profit, meanwhile, only went down 1% to €8.23 billion, and our operating margin (non-IFRS) narrowed 0.7pp to 29.6%. Due to the investments, our cloud gross margin (non-IFRS) narrowed slightly as well, ending the year 0.2pp below the prior-year figure at 69.5%.

In the first quarter of 2022, cloud gross margin (non-IFRS) was 70%. Non-IFRS operating profit decreased 4% to €1.68 billion, mainly driven by expenses related to the war in Ukraine and various investments. The corresponding operating margin narrowed 3.7pp to 23.7%.

Cloud as business catalyst
Once again, SAP has delivered strong financial and nonfinancial performance, both strategically and operationally. The proposed dividend of €2.45 a share, which includes a special dividend marking our 50th anniversary, represents a 32% increase on last year. Our success in fiscal 2021 was mainly attributable to strong demand for RISE with SAP, our flexible cloud service package that provides customers with a holistic approach for accelerating their transition to the cloud and transforming into an intelligent enterprise. With it, they also benefit from other attractive offerings such as SAP S/4HANA Cloud and SAP Business Technology Platform. SAP is therefore confident the Company is well on track with its cloud strategy to achieve its ambitious 2025 targets. These trends intensified in the first quarter of 2022, accelerating cloud growth once more.

More predictable revenue
We define more predictable revenue as the sum of our cloud revenue and support revenue, because in contrast to short-term and one-off project or licensing business, it involves regularly recurring revenues. Thus, the KPI “share of more predictable revenue” is the total of cloud revenue and support revenue divided by the total revenue. Thanks to our growing cloud business, we have been able to increase this KPI from 63% to 75% since 2017, and in so doing, significantly reduce our vulnerability to investment cycles and short-term fluctuations in demand. By 2025, SAP expects to have increased this share to 85%.
“With the pace of change only increasing, speed in responding and adapting to business change now becomes a key business differentiator.”

“Once we have completed the investment program, expenditures in a three digit million range will be no longer be incurred, and our infrastructure will be much more efficient. That will allow us to significantly increase the margin again, starting from the second half of 2023.”
€22 billion in cloud revenue in 2025 – how does that work?

SAP has announced its plans to nearly triple its cloud revenue from €8.1 billion in 2020 to more than €22 billion by the end of 2025. That corresponds to an average annual increase of almost 22%. In fiscal 2021, cloud revenue (non-IFRS) rose 16%, which means it must grow at a faster rate going forward if we are to meet our target. Having improved 31% in the first quarter of 2022 – the fourth consecutive quarter of cloud growth – we already appear to have the right momentum, and therefore expect an increase in cloud revenue of at least 23% for full-year 2022.

Our current cloud backlog (CCB) of €9.45 billion at year-end 2021 has created a good basis for this. CCB measures the amount of SAP’s outstanding delivery commitments in the next 12 months, and thus includes already contractually committed cloud business in this period. In 2021, for the first time, CCB was higher than that year’s cloud revenue (€9.42 billion), which means that any new cloud business SAP generates in 2022 is pure growth. In the first quarter of 2022, CCB grew a further 28% to €9.73 billion.

Key drivers of this accelerated cloud growth are:

- Our RISE with SAP offering, which is encouraging more and more companies to move to the cloud quickly.
- RISE with SAP also creates additional revenue potential thanks to its many touchpoints with other offerings in SAP’s product portfolio, such cloud-based sustainability solutions.
- We are not only seeing our current customers move to the cloud, we are winning many new customers, too.
- Cloud implementations are much faster than traditional on-premise ones.
- The number of incoming cloud orders greater than €5 million is increasing.
- We are seeing increasingly longer contract terms and volume increases within current contracts.
- We are seeing strong growth in the total order value of new cloud contracts well beyond the current cloud backlog.

On this basis, we expect to be able to maintain and further accelerate the high level of cloud growth for the foreseeable future.
SAP stock

With the success of the accelerated cloud transition becoming increasingly visible in our key financials, SAP stock performed very well in 2021, even finishing higher than the DAX. Business in the first few months of 2022, however, was seriously impacted by the war in Ukraine and the onset of a turnaround in interest rates, which burdened technology stocks. SAP stock lost significant ground as a result.
Shareholder structure and dividend development

1,228,504,232 bearer shares outstanding

<table>
<thead>
<tr>
<th>Institutional Investors</th>
<th>40% of institutional investors are classified as ESG (Environment, Social and Governance) investors.</th>
</tr>
</thead>
<tbody>
<tr>
<td>7% Germany</td>
<td>21% North America</td>
</tr>
<tr>
<td>13% UK/Ireland</td>
<td>16% Europe (Without Germany)</td>
</tr>
<tr>
<td>5% Rest of World</td>
<td>4% Founders</td>
</tr>
<tr>
<td>22% Private Investors/ Unidentified</td>
<td>5% Treasury</td>
</tr>
</tbody>
</table>

84.5% Freefloat

Reliable dividend title – 30+ years of growth

Since our IPO in 1988, we have always believed that our shareholders should share greatly in SAP’s success. It is therefore our policy to pay a dividend totaling 40% or more of profit after tax (IFRS). The Executive Board and Supervisory Board have proposed a dividend of €2.45 per share for fiscal year 2021, representing a year-over-year increase of approximately 32%. This amount includes a special dividend of €0.50 to celebrate SAP’s 50th anniversary. The overall dividend payout ratio would thus be 54%.

1 Special dividend to mark SAP’s 40th anniversary  2 Dividend proposal  3 Special dividend to mark SAP’s 50th anniversary
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Financial Calendar

May 19, 2022
Ex-Dividend Date

May 23, 2022
Dividend Payment

July 21, 2022
Q2 2022 Financial Results

October 25, 2022
Q3 2022 Financial Results

January 26, 2023
Q4 and Full-Year 2022 Financial Results