



Value Balancing Alliance - Mission: a standardized model to empower decision makers to create and protect long-term values.

24. October 2019

„Help the World run better and improve peoples' lives“

“There is some importance in knowing the past, ... But it doesn't give you linear information about what will happen in the future.” „The end of Accounting“, Baruch Lev, 2016

Agenda

- Holistic thinking at SAP
- Value Balancing Alliance



We execute a dual sustainable strategy

Our social- and environmental performance impacts our operating profit

Employee Engagement

– 1% pt +/- → €50M – €60M

Business Health Culture Index

– 1% pt +/- → €90M – €100M

Employee retention

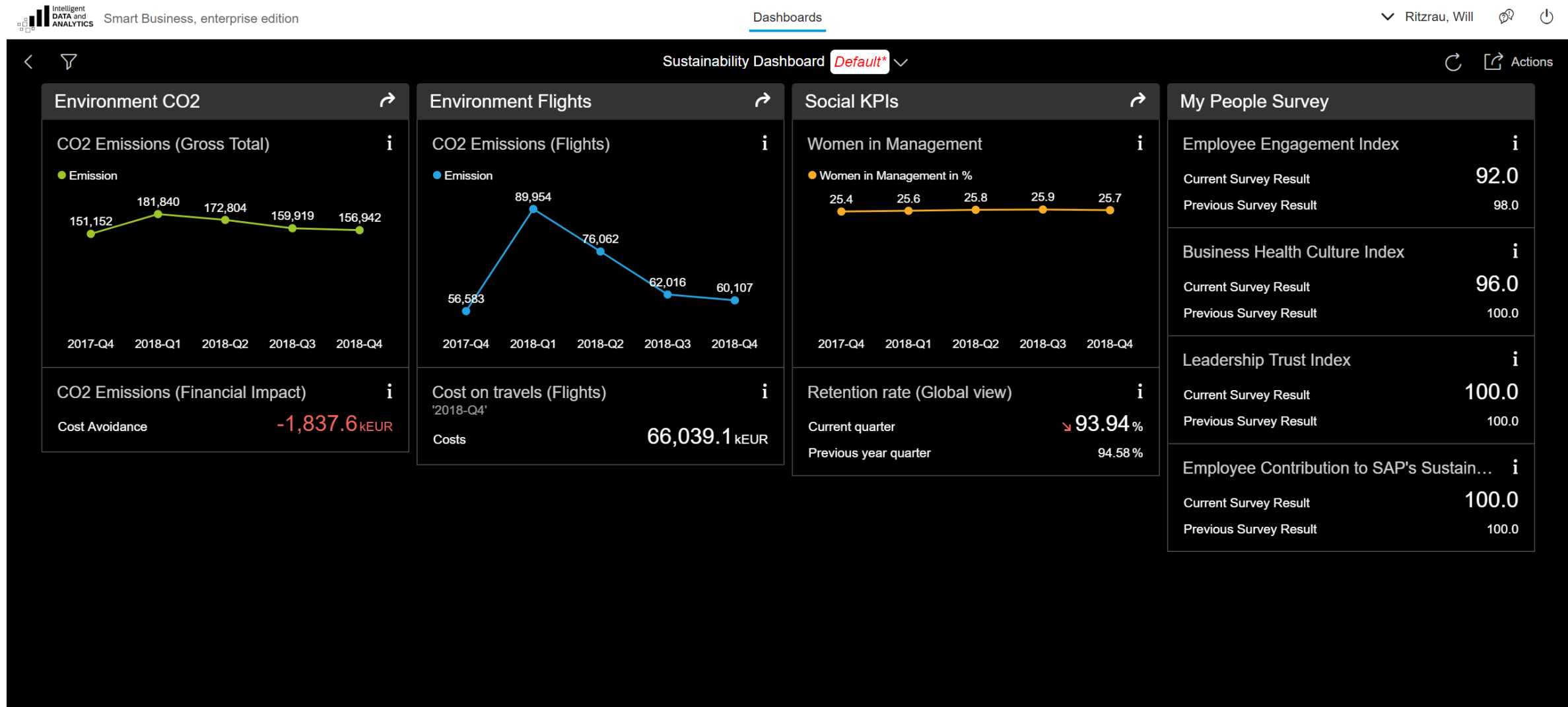
– 1% pt +/- → €55M – €65M

CO₂ Emissions

– 1% +/- → €6M



We are transparent about our sustainability performance



BASF

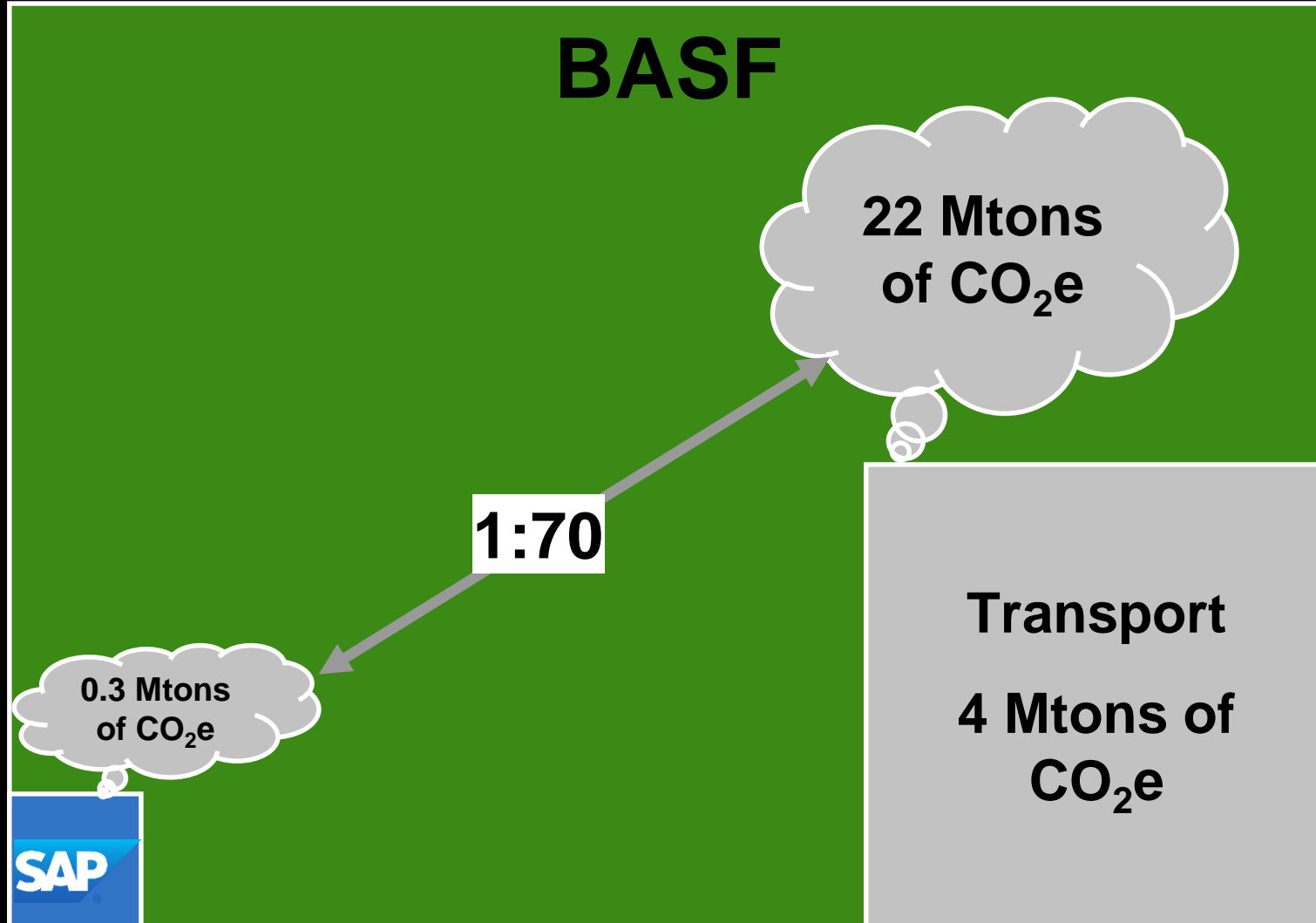
22 Mtons
of CO₂e

1:70

0.3 Mtons
of CO₂e

SAP

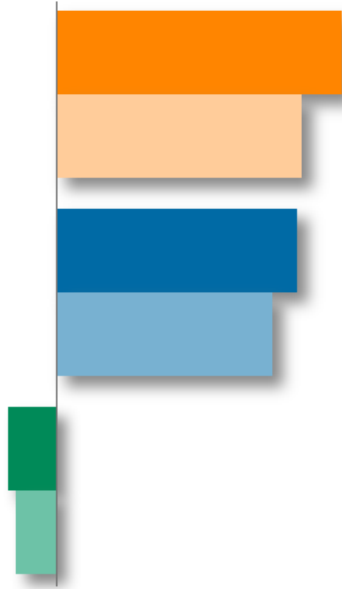
Transport
4 Mtons of
CO₂e



The next generation of reporting will include the societal impact a company creates

Full supply chain

Indirect suppliers > Direct suppliers



- Total value contribution made my BASF purchase
- Total impact of BASF's direct suppliers and their supply chain

Own operations



- Total value contribution made my BASF purchase

Customer industries

Direct customers in industries supplied by BASF



- Total value contribution made my BASF purchase
- Total impact of our customers in their industries

Legend:

2017 2016

Economic:
Profits, Amortization, Depreciation

2017 2016

Social:
Taxes, Wages & benefits, Human capital, Health & safety

2017 2016

Environmental:
Air emissions, GHGs, Waste (solid), Water emissions, Water consumption, Land use

Source: [BASF Value to Society](#)

October 26, 2019

Value Balancing Alliance Foundation Meeting

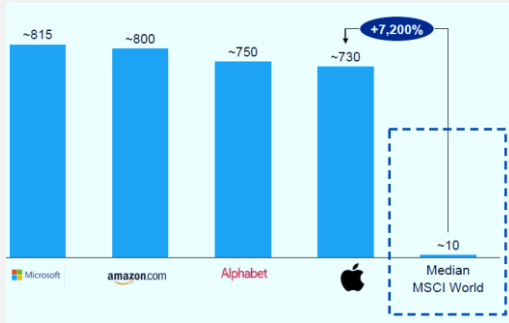
value
balancing



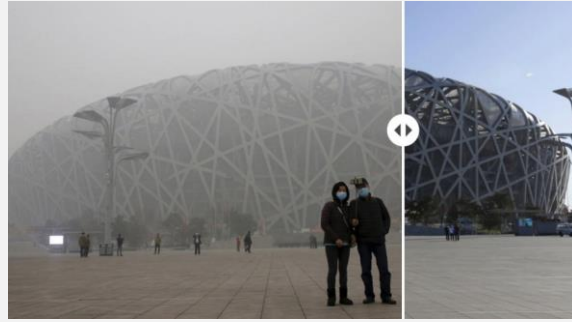
Ludwigshafen, June 25th, 2019

Today's business environment

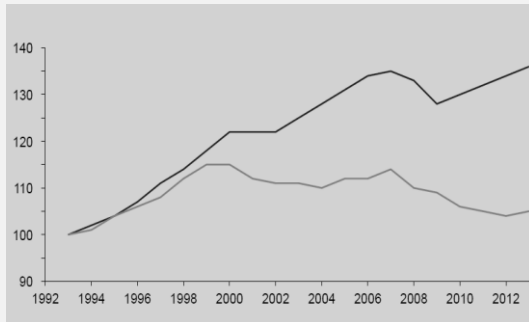
2050: We need 3 planets to meet people's demand



Market cap January 2019



Status of our natural environment




AI and the distribution of wealth



Social tensions by falling walls

- Do current management accounting concepts capture all business opportunities and risks?
- Do we consider all services and costs for which we are responsible?

- 
- The currently accepted business system must be expanded to meet future challenges.

Input



Output



Outcome

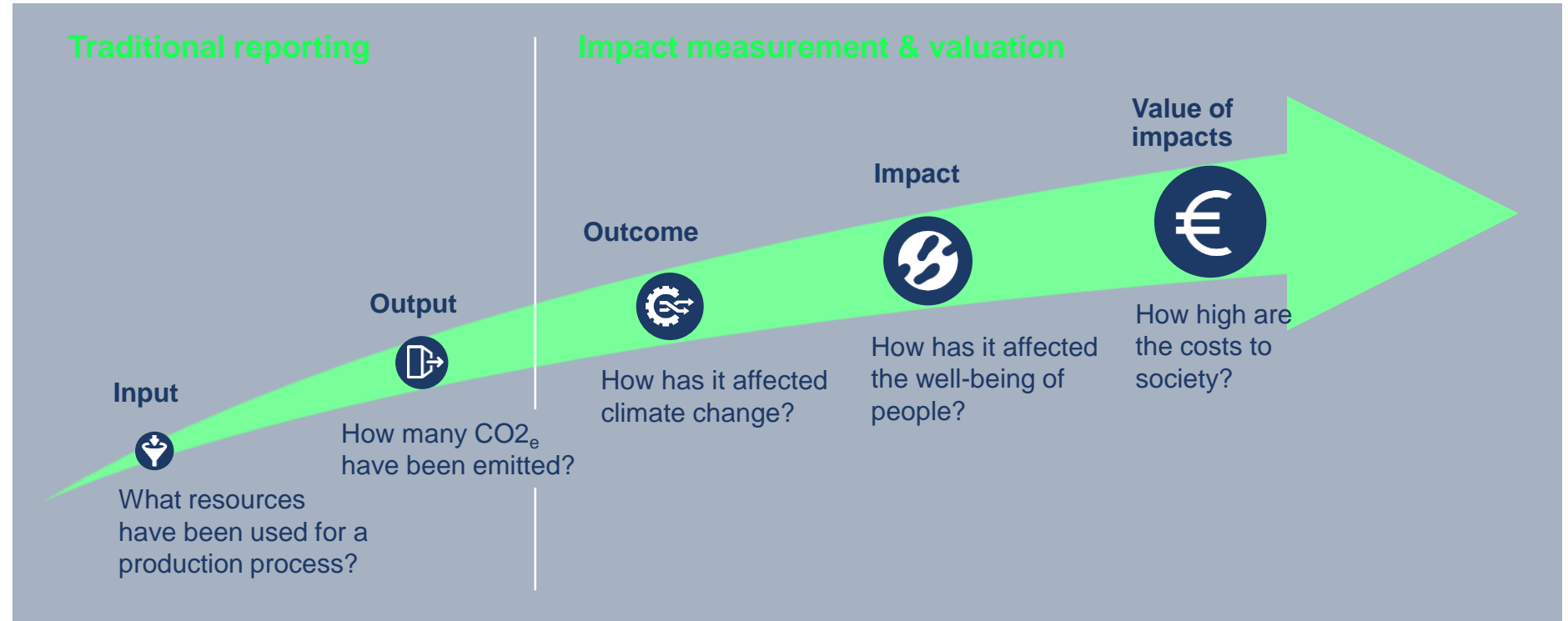
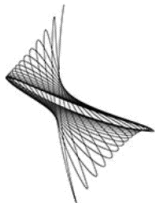


Impact



Impact valuation

Monetizing our impacts



- Objective: Benefits and costs to society
- Metric: Currency for comparability and tangibility
- Yardstick: Influence on human well-being

Assess the total

- Benefits &
- Costs

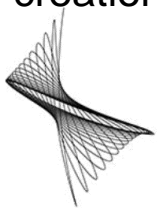
created for society by business

It's all about comparability

Our objectives



- We build on existing models to deliver in time
- We enhance transparency and comparability of corporate value creation



1

Standardization

2

External disclosure

3

Scalability

4

Internal business steering

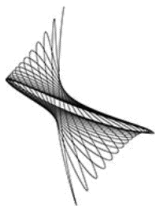
Assess the
relation of value
generation for
society and
enterprise value

It's all about comparability

1 Standardization



- Common model in place for valuation
- Use in management accounting tested
- Accepted by stakeholder community



FES impact valuation

Indicator	Health	Renewable
Financial		
GDP contribution	USD 46 bn	Own operations USD 50 bn, supply chain USD 16 bn
Employment	240 000	In addition to own operations
Corporate performance	Not valued in 2018	Not valued in 2018
Total assets		
Environmental		
Climate, energy and air pollution	USD 80 m	Greenhouse gas emissions USD 400 m (own operations and supply chain)
Water and waste	USD 200 m	Water USD 200 m (own operations and supply chain)
Other environmental impacts		Example: land use and biodiversity not valued in 2018
Social		
Employee development	USD 404 m	Own operations
Occupational safety	USD 6 m	Own operations
Other human capital impacts		Example: employee well-being, voluntary turnover, human rights, and labor impact not valued in 2018
Healthcare system strengthening initiatives	17.9% to 24%	Initiatives in South Africa
Products	USD 422 000	Novartis Access (2018: Kenya)



Double Bottom Line



Total Impact



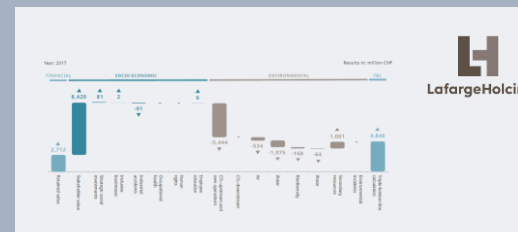
Connectivity



Value-to-Society



Integrated Profit & Loss

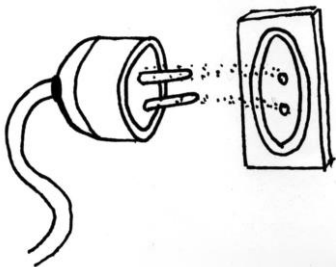


Common model for disclosure at corporate level

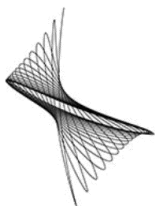
- ✓ Scope
- ✓ Data sources
- ✓ Measurement tools
- ✓ Valuation indicators

It's all about comparability

2 External disclosure



- Easy to understand
- Provide relevant data for stakeholder
- Ensure connectedness to financial reporting



TODAY

		2018	2017	+/-
Sales ¹	million €	62,675	61,223	2.4%
EBITDA before special items ¹	million €	9,481	10,738	(11.7%)
EBITDA ¹	million €	9,186	10,765	(14.9%)
EBIT before special items ¹	million €	6,353	7,845	(18.9%)
EBIT ¹	million €	6,033	7,587	(20.5%)
EBIT after cost of capital ¹	million €	825	2,902	(71.6 %)
Net income	million €	4,707	6,078	(22.6%)
Earnings per share	€	5.12	6.62	(22.7%)
Assets	million €	86,556	78,768	9.9%
Investments including acquisitions ²	million €	10,735	4,364	146.0%

¹ Restated figures, for more information, see the Notes to the Consolidated Financial Statements
² Additions to intangible assets and property, plant and equipment

Financial statement

???

		2018	2017	+/-
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Indicator	Results	Targets
Financial		
ESG contribution	USD 66 bn	Own operations USD 50 bn, supply chain USD 16 bn
Employment	290,000	5,000 in own operations
Economic inefficiencies		Not valued in 2018
Sales taxes		Not valued in 2018
Environmental		
Climate, energy and air pollution	USD 201 m	Greenhouse gas emissions USD 401 m (own operations and supply chain)
Water and waste	USD 200 m	Water USD 100 m (own operations and supply chain)
Other environmental impacts		Example: land use and biodiversity not valued in 2018
Social		
Employee development	USD 404 m	Own operations
Community value	USD 4 m	Own operations
Other human capital impacts		Example: employee well-being, voluntary turnover, human rights and living wages not valued in 2018
Healthcare system strengthening initiatives	17% to 24%	Initiatives in South Africa
Products	USD 400,000	Shelter Kit (2018) - Kenya

Financial statement plus value balanced statement

???

	Total	Upstream	Operations	Downstream
Financial capital				
xxx				
xxx				
xxx				
Natural capital				
xxx				
xxx				
xxx				
Social capital				
xxx				
xxx				
Human capital				
xxx				
xxx				
xxx				
TOTAL VALUE				

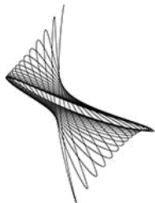
Integrated value balanced statement

4

Business steering



- Concept tested in material steering areas
- Impact on business model assessed



It's all about comparability



Application in key decision-making processes



Support by key decision makers in the company



Company KPI set based on value balancing concepts with link to SDG

Bespoken models based on same principles

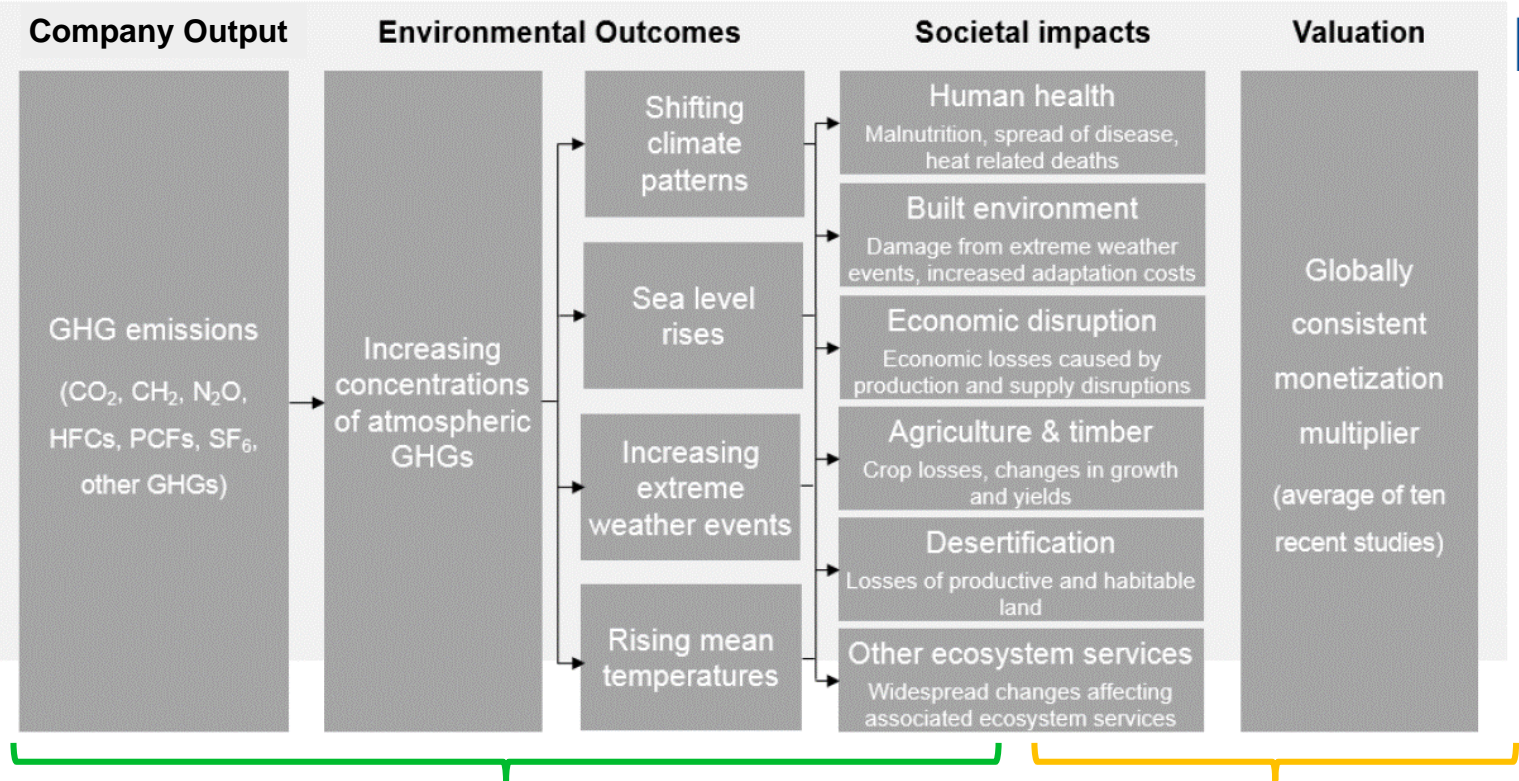
- ✓ Impact thinking
- ✓ Value chain coverage
- ✓ Multi-capital approach
- ✓ Direct link to disclosure at corporate level

GHG emissions / climate change

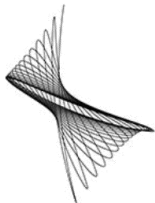
DESCRIPTION / RATIONALE - CONSISTENT ACROSS MODELS

Concentration of GHG emissions in atmosphere contributes to climate change. This leads to multiple environmental outcomes and societal impacts.

IMPACT PATHWAY



Method Paper Value-to-Society



Broad agreement on linkages between impact drivers, environmental outcomes and societal impacts

Specific impacts and coefficients depend on underlying data sources

Our vision

We integrate business into society and nature for a better future.

Our promise

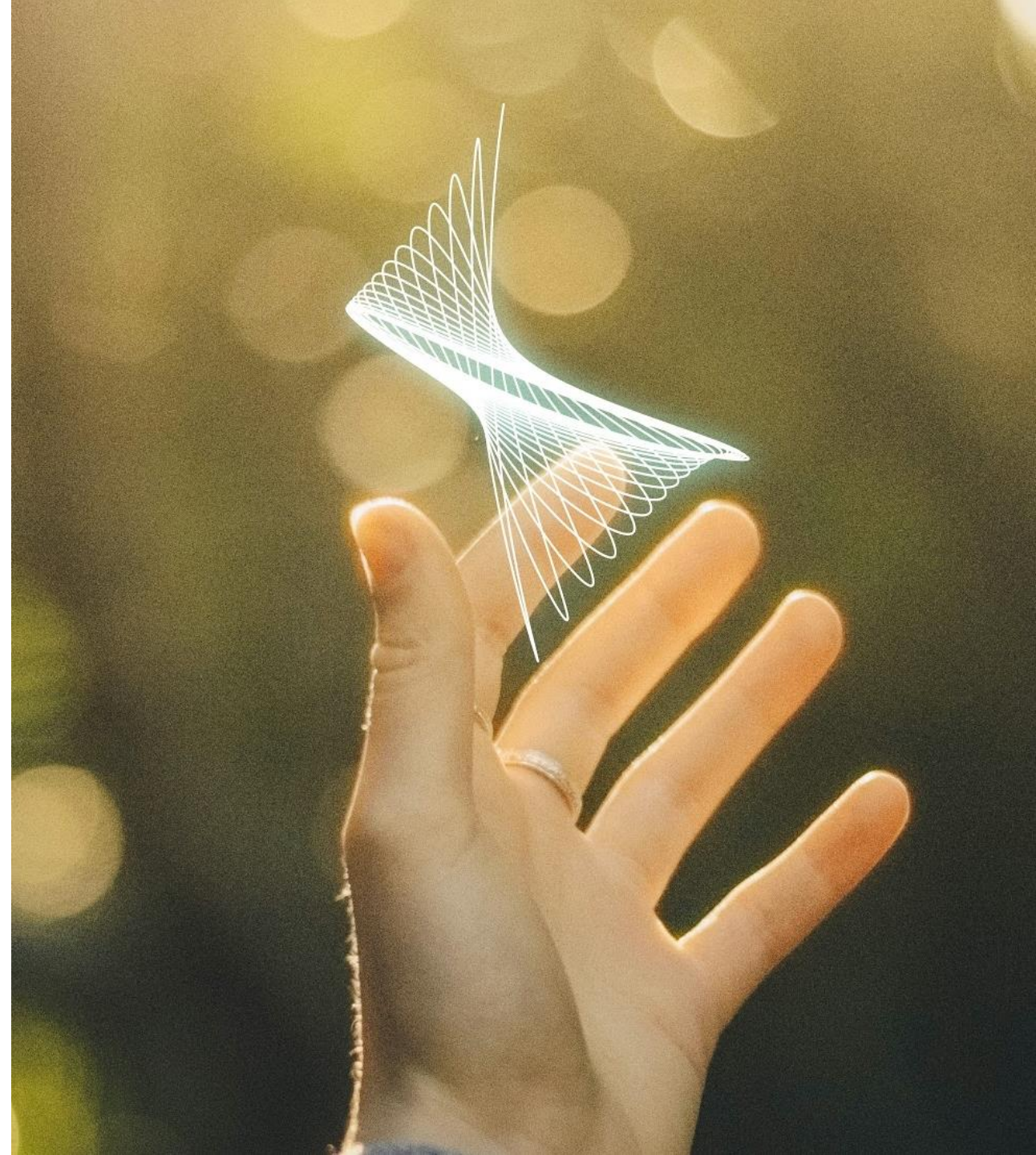
We enable every decision-maker to assess the impact of their action on their ecosystem.

Our mission

The standardized model empowers decision-makers to create and protect long-term value.



We change business from maximize profits
to optimize value creation.



Next steps



You can join the VBA starting next year.

Contact information: [Christian Heller](#), CEO VBA

More information on the VBA are available at www.value-balancing.com

Thank you.

Contact information:

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