



2022 SAP Sustainability Report

The road to planet-first revenue generation:
motivations, barriers and steps to sustainability



Message from Michiel Verhoeven, Managing Director, SAP UKI

On the anniversary of COP26, we are reminded of how the gathering in Glasgow played a critical role in firmly placing sustainability back on the global agenda. We should all be encouraged that 'sustainability' as a subject, an action, a requirement, has become integral to how we do business today. Gone are the days where it was seen as niche to be conscious of your environmental footprint or to be taking steps to mitigate your CO2 emissions.

But one year on, and as we approach COP27, the road to environmental action is far from straightforward for business leaders. On one hand it feels like we've come a long way in a short period of time. The work of national heroes like David Attenborough, the determination and energy of activists like Greta Thunberg, and the growing public demand for purpose-led businesses has kept addressing climate change at the top of the agenda. That's despite fears that progress could be set back by the pandemic or ongoing uncertainty with supply chain shortages and geo-political conflict.

And on the other it feels like we are still at the same juncture we were a number of years ago – for every Patagonia, there's instances of firms unable to take the necessary action to protect what matters.

It's precisely this continued juxtaposition of businesses taking concerted action where the impact of climate change is now a very real and present threat, that drove us to conduct research into understanding the unique motivations and barriers facing UK organisations as they look to improve the environment on a global scale.

Importantly, placing sustainability at the heart of operations, and ensuring this reaches every process from HR to procurement and finance, no longer needs to come at the expense of the bottom line. Our annual Environmental Sustainability Study has found that 90% of leaders now connect long-term profitability and environmental action, while 88% of UK businesses now see a positive link with their ability to be competitive in the future - marking a jump of 19% on 2021's results.

Our findings indicate that many find themselves gridlocked between motivating forces and barriers to progress, with 49% saying customer demand is the single biggest motivator; and 27% cite lack of necessary expertise as a leading barrier. Despite this uncertainty, leaders are increasingly recognising the connection between environmental purpose and profit, and so are driven to action. Yet they are being let down by their ability to accurately measure their progress.

In a macro-economic environment filled with uncertainty, taking action to improve the environment can restore balance and fundamentally improve the bottom line. Whether that's transitioning to renewable energy and reducing our reliance on fossil fuels, or streamlining supply chains to address product shortages.

It should be an imperative for every organisation to substantiate their environmental credentials. Customers need to be sure businesses are not green-washing and are committed to action. By working with a technology partner, like SAP, leaders can holistically assess their impact on the planet and ensure they are taking accurate steps to reduce their footprint. That's how they will protect their reputation, reach net-zero faster and drive revenue opportunities in the years to come.



Methodology

The SAP Insights research centre collected data from 328 respondents from across the UK working throughout 29 different industries. Respondents had the highest knowledge of their organisation's sustainability objectives and processes. The surveys were conducted in April 2022 via a 10-minute online survey. Some figures are sourced from normalised data between 2021 and 2022 respondent groups.



Respondents



Industries



Nation

Introduction

The desire to 'do the right thing' for the planet started as a small flame back in the 1960s and 70s as part of the counterculture movement, when people started to understand the impact that mass production and industrialisation was having on the world around us. It was this original wave that saw aspirational ethical brands like The Body Shop and Patagonia launch, setting themselves apart from the masses by extolling their ethical and green virtues. Both of whom are still leading the way in sustainable FMCG today.

A lot has changed in the fifty plus years since then – from the rise and influence of the IPCC, first established in 1988 to provide policymakers with regular scientific assessments on the current state of knowledge about climate change, to inspirational speeches from the leaders of tomorrow, like Greta Thurnberg's address at the UN Climate Change 2018. In that time scientists and governments around the world have amassed more evidence to push the urgency of prioritising such matters; but the journey to sustainability isn't a linear one-size-fits-all transition.

For many, the race to net-zero may have started as a marketing exercise and a need to move with the crowd to deliver environmental progress. It looked good to have a few lines about the importance of sustainability in a business strategy, and to acknowledge it in your purpose and values. And it looked even better to take a seat at the UN's Conference of the Parties (COP).

But this level of motivation is simply not enough to deliver the required scale of action needed to appropriately address the climate emergency. As the impacts of climate change start to dramatically speed up, having a robust Environmental, Social and Governance (ESG) strategy has become

more than a nice-to-have, but a genuine necessity for the future of the planet, human-kind and any organisation.

According to the [Intergovernmental Panel on Climate Change's \(IPCC\) latest report](#), 2025 is our 'Now or Never' cut-off point to reduce greenhouse emissions if we want to save the future of the planet.

The reasons for any organisation to significantly invest and prioritise its efforts to reduce its carbon footprint and improve sustainability are many and well-proven. But, contrary to popular belief that ESG is only about the environment, a strong ESG strategy must over index on the "S" - people. While not all aspects of "E," "S," and "G," are priorities for all companies - it is unrealistic to expect businesses to lead on every topic, a sustainable people strategy will drive results across the ESG programme, attracting and retaining the best talent, keeping them engaged and motivated to deliver sustainable results across the business.



The evidence is there - [with 71% of people saying they want to work for environmentally sustainable companies](#). Similarly, [over a third of global consumers are willing to pay for sustainable products and services](#).

But, in addition to environmental action being a moral and ethical necessity, our research shows that it is now becoming inextricably linked to revenue generation and overall business growth - helping drive action. More than 1-in-5 now see a strong connection between taking environmental action and revenue growth.

Many organisations and industry bodies already understand this and are shifting their strategies

accordingly. Names like Water UK, Fashion Industry Charter for Climate Action and the Scotch Whiskey Association have all joined the [UN-backed global Race to Zero campaign](#) to ally leadership and support from businesses, cities, regions, and investors for a healthy, resilient, zero carbon recovery that prevents future threats, creates decent jobs, and unlocks inclusive, sustainable growth.

While big name brands such as [Unilever](#), Swiss supermarket chain [Coop Group](#) and [Norwegian Air](#) are making bold and definitive commitments of their own, and already seeing the benefits.

The race to zero

Unilever

2030: Living wage to everyone across its value chain

2039: Net-zero emissions across its value chain



Coop Group

On a mission to achieve “**Zero Waste**” shopping

- Refining forecasts with intelligent calculations that continuously refine customer behaviour and demand predictions

Norwegian Air

2030: Reduce carbon emissions by 45%

- Reducing paper by automating paper-based, manual procurement processes
- Taking a 360 degree view of procurement processes and suppliers to improve sustainable decision making in supply chain.

UK business leaders have woken up to the link between sustainability and profitability

Our sustainability research last year revealed that UK organisations were overwhelmingly motivated to take environmental action, but were suffering a sustainability headache as the path to a green future is clouded by organisational accountability, measurement and a lack of understanding.

The past year has seen things move on significantly, with UK leaders retaining their drive to take environmental action; but now being motivated even more strongly by the link they've seen between sustainability and profitability.

Ninety percent of UK leaders now clearly connect long-term profitability with environmental sustainability; with 38% citing the single biggest motivator to take environmental action is the revenue and growth opportunity, almost three quarters (72%) see a connection between profit and purpose.

Over half (52%) perceive a moderate positive relationship between the two. This is a 14% increase on the results from 2021's survey. While almost two-thirds (65%) believe that addressing environmental issues will be material to business results within the next five years.



“Within our business it’s a belief that sustainable and purposeful business drives superior long-term performance.”

Katherine Platts, Director of Tech, Innovation & Sustainability at Unilever

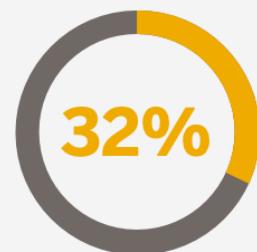
Climate change is already impacting today's bottom-line

The realisation of this connection has likely been strengthened by the financial ramifications of global macroeconomic issues. Stories of the impact of the world's rapid warming on agriculture, economic activity and trade are now commonplace in the news.

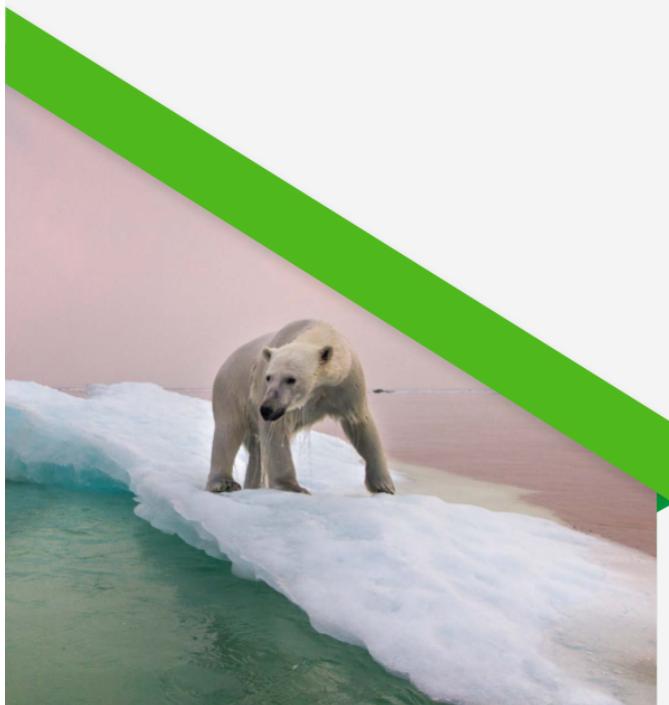
In the last year alone, a [record-setting drought](#) crippled economic activity across southwestern China, freezing international supply chains for automobiles, electronics and other goods that [have been routinely disrupted](#) over the past three years. The impact of which on some of the biggest players in the market has been huge, with [Ford spending \\$1bn more to maintain its supply chain in a single quarter.](#)



UK businesses are already feeling the impact of these influences, with 69% of UK business leaders saying the rising cost of resources is already impacting, or threatening to impact, their organisation.



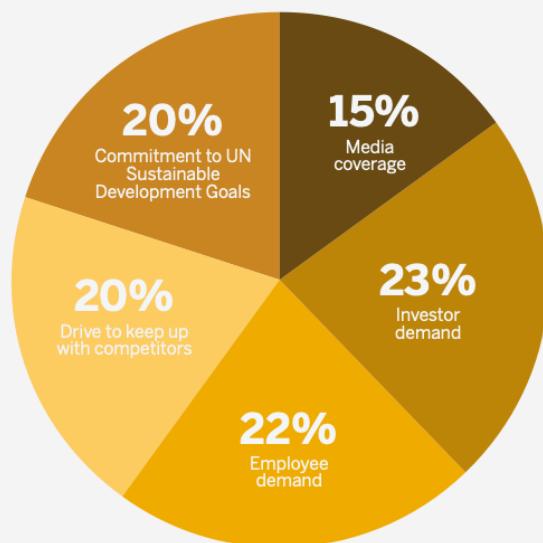
Almost a third of decision makers have said their business is or will be impacted by climate change-related insurance costs.



Other motivators

With the impacts of climate change already being felt in today's bottom-line, organisations once driven by a need to look good seem less motivated to take action by external and reputational factors such as media coverage (15%), investor (22%) and employee (23%) demand. The drive to keep up with competitors (20%) or their commitment to UN Sustainable Development Goals (20%) have also fallen way down in the pecking order.

That being said, comprehension of the broader business benefits of taking action to improve the planet's environment is now well-understood. UK business leaders have made it clear they understand the positive impact it will have on customer demand (49%), revenue and growth ops (38%), as well its potential risks to financial results (26%). Interestingly they also seem to be more aware of its ability to provide them with new opportunities to develop improved offerings (34%) and improve organisational resiliency (30%). Sustainability is driving creativity and diversification.



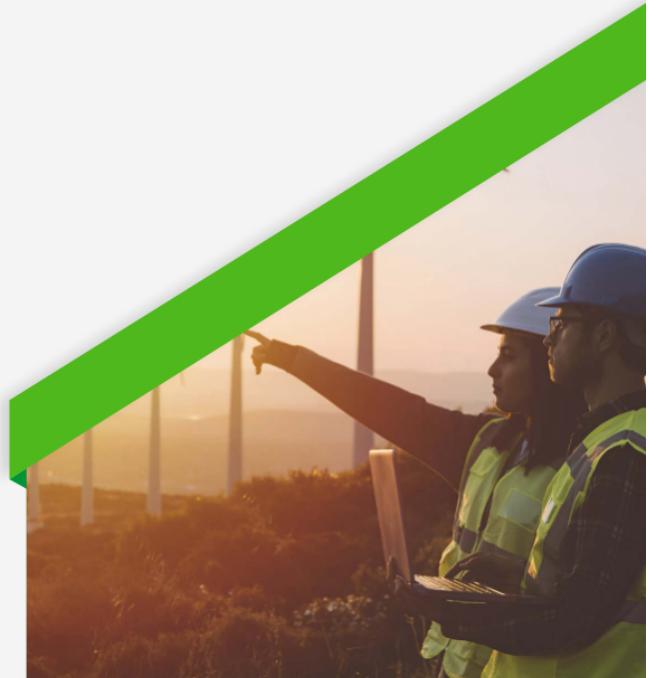
Motivators to take action by external and reputational factors

Pit holes in the road to planet-first revenue generation

Intention and comprehension are the first strong-steps to capitalise on the green opportunity, said to be worth \$36.6bn globally by 2025; but mean nothing without establishing and maintaining a connection between profit and purpose, and taking decisive environmental action.

To put it simply, it is not enough to talk the talk. Businesses need to walk the walk intentionally on the road to net-zero and beyond.

The ability to do so relies completely on an organisation's ability to build a dedicated sustainability strategy, measure progress and prove a return on investment. Yet, these have materialised as leading barriers to environmental action. Almost one third (31%) of UK businesses say a lack of environmental strategy is holding them back. While 34% point towards difficulty proving a return on investment.



Environmental strategy grounded in best data practice

It is of course impossible to develop a robust, repeatable, and measurable strategy for anything without clean, accurate, real-time data that is analysed effectively and efficiently. But this is exactly where UK businesses are running into trouble when it comes to sustainability.

Almost a quarter (23%) of UK businesses are doubtful about their ability to accurately measure their impact on the environment. While just 8% are completely satisfied with the quality of their data, a significant drop on both last year's survey results (15%) and the global average of 23% this year.

In fact, as many as 40% of UK businesses rely solely upon assumptions and estimates, not facts, to screen their supply chains, while one-in-three (33%) do so when working to address climate change.

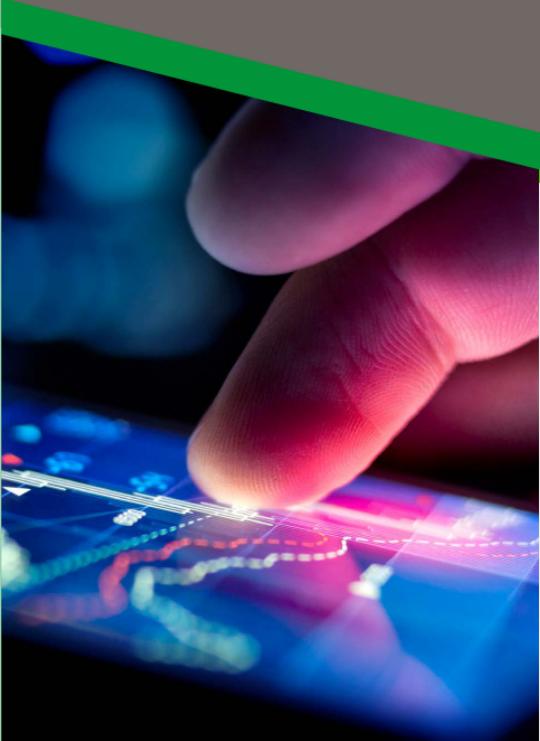


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“Data is a crucial requirement for evidencing the proof of circular economy value creation, the benefits of net-zero, and strategies to drive up resource productivity. The work by SAP provides clear evidence that access to robust and reliable data is becoming a critical capability requirement for business reporting, future value creation, supply chain resilience management.”

Professor Peter Hopkinson,
Professor in Circular Economy and
Co-Director Exeter Centre for the
Circular Economy

Speculation rather than certainty seems rife

Despite these challenges, and the implications of how they might affect environmental progress, it appears that UK businesses are on a path of self-sabotage with how they collect and utilise their environmental data.

As many as 40% of UK businesses rely solely upon assumptions, estimates, and industry averages to screen the environmental impact of their supply chain. While one-in-three (33%) do so when working to address climate change.

Such mismanagement of data will hold back progress and delay innovation. With 50% of leaders suggesting that they intend to increase their investment in climate change-related issues over the next three years, it will be how they utilise the data at their disposal which will ensure their investments are informed, measured and progressive.

The research also reveals that supply chain disruption (52%) and transformation of operational processes (35%) also act as an opportunity to review, refresh and re-think how to make things more sustainable.

Pressure will grow on leaders to enhance their ESG skills

As we approach COP27, the urgency around climate action can be overwhelming. For leaders, it can feel impossible to know where to start. Although UK leaders are now aware of their responsibility to the planet, many embarked on the race to net-zero for the wrong reasons. Be it as part of a marketing exercise or a need to move with the crowd to publicly broadcast environmental progress.

Green-washing aside, the last year has taught us that actions must speak louder than words. In April, the report from the Intergovernmental Panel on Climate Change (IPCC) suggested that we have reached a 'now or never' moment. If we do not come together through sustained and meaningful action, we cannot stave off a climate disaster.

This means that not only is environmental action a moral and ethical necessity, but it has become

inextricably linked to long-term growth. In today's challenging macro-economic environment, this can be the difference between surviving or thriving. And it's for this reason that it's critical that UK businesses do not find themselves unable to realise this growth down to a lack of environmental strategy or an inability to substantiate their credentials.

How businesses measure and quantify their progress is only one part of the equation and is the foundation of genuine action. But alarmingly, UK businesses are falling at this first hurdle, putting their future in doubt. With almost three-quarters of UK consumers assessing a company's sustainability credentials before making a purchasing decision, they must move quickly to embrace best practice in data management or find themselves adrift.



How we help – four steps to a better future

To help leaders tackle this challenge, we've identified five key steps businesses need to take if they are to capitalise on the good intentions and motivations that the research clearly outlines, overcome the barriers, and take more solid steps to sustainability.

1. Build a holistic view of the ESG truth

Tracking, analysing and reporting on ESG data is notoriously challenging because of the complexities involved in calculating the genuine external impact of macro and micro internal business decisions. That's not to say it's impossible though.

Holistic steering and reporting of data sources will improve ESG reporting, transparency, and sustainability performance. Creating a central figure ledger of reliable sustainability-related data with [SAP Sustainability Control Tower](#), enables you to set targets, monitor progress, and gain actionable insights with automated and updated performance reports by business unit and location. Technology will advance ESG data management so companies can get the transparency they need for holistic sustainability management, and move from 'averages' to 'actuals'.

"Using sustainability metrics should be as simple as reporting on and using financial metrics."

Katherine Platts, Director of Tech, Innovation & Sustainability at Unilever

"By integrating intelligent technologies into our promotions planning processes, we can reduce residual quantities, minimise waste, and offer customers the goods they actually require in each store."

Heiner Hanser, Head of Master Data Management and Marketing Processes, Coop Group

2. Design and produce products responsibly

There's no better way to reduce carbon footprint than to ensure that new products being developed have sustainability baked-into them by design from the very get-go. This could be by choosing more sustainable materials, energy efficient production, operating methods, or designing to extend the product's life-cycle as much as possible. As individual actions, these are all simple enough to take; but the real challenge for organisations is to tie the data of all these together, measure and evaluate them against global regulations.

Cloud-based systems, such as [SAP Responsible Design and Production](#), have been developed precisely with these complex calculations in mind. They enable businesses to: reduce exposure, by calculating fees and taxes accurately, while implementing measures to reduce regulatory costs; deliver on commitments, by identifying the right trade-offs and simplifying the strategic portfolio decision-making process; and empowering consumers, by enabling businesses to transition to a circular product portfolio and deliver on zero-waste commitments.

Likewise, [SAP Product Footprint Management](#) is enabling organisations to capture the environmental footprint of products across the value chain. It considers the entire product lifecycle, helping businesses disclose their products' environmental footprints to regulators and give them insight into key sustainability data, allowing them to make their products more sustainable for the future.

3. Integrate all of your stakeholders, partners, and customers

True sustainability isn't just what your company does within the confines of its own walls, but is looking beyond to serve the interests of all stakeholders, suppliers, communities, employees and customers to maximise impact. In the automotive industry for instance, 98% of total GHG emissions are Scope 3 emissions, so it is even more crucial to identify carbon footprint reduction opportunities along the supply chain.

To do so, business will need an integrated business strategy backed by integrated reporting. Inputs range from the intellectual talent of the employees to the natural resources used in manufacturing and the company's management processes. Outcomes are the elements that have changed because of business activity, which can lead to various impacts and benefits, such as improvements in natural and human capital.

Integrated reporting is designed to demonstrate the connection between the inputs to a business, the activities driven by the business, and the outcomes and impact of those activities on society and the environment. Ultimately it creates value beyond just financials, balancing short-term gains with long-term strategy and investment.

"To control sustainability, you've got to control your value chain. SAP Ariba solutions enable a 360-degree view of procurement processes and suppliers, fuelling our objective to become best in class on environmental sustainability in Europe."

Knut Olav Høeg, Executive Vice President, Norwegian Air Shuttle

4. Synchronise supply chain planning

A smooth and streamlined supply chain also plays a huge role in sustainability, if companies consider the environmental and human impact of their products' journey through the supply chain, from raw materials sourcing to production, storage, delivery and every transportation link in between.

By synchronising supply chain planning in real time, businesses can reduce the environmental impact; adapting to challenges as they arise.

"We plan to use our scale and influence to build a more equitable and inclusive society. That includes ensuring we're paying a living wage to everyone across our value chain."

Katherine Platts, Director of Tech, Innovation & Sustainability at Unilever



SAP's commitment to sustainability

We aspire to lead by example. At the start of this year we [announced](#) our intention to achieve net-zero along our value chain in line with a 1.5°C future in 2030 – 20 years earlier than originally targeted. Given the climate and social crises the world now faces, we recognised that we needed to “go big” with our ambitions and have the courage to act, living up to our purpose to help the world run better and improve people’s lives.

The impact of technology and digital solutions extends beyond the boundaries of companies and industries. They can be multipliers for change. For example, by 2030, new digital technologies could reduce global carbon emissions by 20%.

SAP is uniquely positioned to help build a low-carbon future and create the foundation for a [circular economy](#). But such a fundamental shift cannot be accomplished by one single entity. It is the responsibility of businesses, governments, and regulators to scale up efforts. With nearly 50 years of [industry](#) and [supply chain](#) expertise, we at SAP are ready to support enabling a rich ecosystem of sustainability start-ups and [intelligent business networks](#).

Participating in the global circular economy has never been easier. Find out more at <https://www.sap.com/products/scm/responsible-design-and-production.html>



Unilever & SAP: Piloting Blockchain to support deforestation-free palm oil

Raw materials like palm oil are often mixed with physically identical raw materials from verified sustainable and nonverified sources after the "first mile" of the supply chain, causing the origin information to be either hidden or lost. Faced with this challenge, Unilever turned to SAP's GreenToken solution to further increase traceability and transparency in their global palm oil supply chain.

In a successful proof of concept in Indonesia, Unilever applied GreenToken to source more than 188,000 tons of oil palm fruit. The solution enabled Golden Agri-Resources and other suppliers from whom Unilever sources to create tokens that mirror the material flow of the palm oil throughout the supply chain and capture the unique attributes linked to the oil's origin.

"We are encouraged by the promising results of our pilot with GreenToken by SAP, the latest building block in our tech-enabled approach to ensure a more traceable and transparent supply chain."

Dave Ingram, chief procurement officer, Unilever



"Unilever is committed to achieving a deforestation-free supply chain by 2023, and blockchain technology has the potential to help companies, like ours, track their supply chains to ensure the commodities we source respect people and the planet,"

Dave Ingram, chief procurement officer, Unilever