



The Best-Run Businesses Run SAP®

SAP INTEGRATED REPORT 2013

Financial and Non-Financial Performance

Your Personal Report

www.sapintegratedreport.com

Governance

Sustainability Management and Policies

✓ Assured

Our governance structure for sustainability reflects the importance that we place on all aspects of our performance – social, environmental, and financial. In 2009, we created the position of chief sustainability officer (CSO), reporting to our co-CEOs to oversee a dedicated sustainability organization.

The CSO has several major responsibilities that cover our sustainability performance as well as our actions to embed sustainability into our business. First, the Sustainability organization works with leaders across the company to monitor our environmental, social, and economic performance. A second area of focus is the development of technology solutions to help our customers manage the complete spectrum of their sustainability activities across their entire value chain.

ENSURING THAT ROLES, RESPONSIBILITIES, AND RESOURCES DRIVE PROGRESS

Our Sustainability team is part of a matrix organization with dual reporting lines to the CSO and business areas. It is composed of the following:

- A core team of sustainability experts who design our approach and work to embed sustainability into our corporate strategy as well as our existing and new solutions
- Development and solution management professionals creating SAP solutions for sustainability
- Global services and support personnel
- A Sustainability Operations team responsible for our internal sustainability performance
- A Corporate Social Responsibility team responsible for managing our social investments
- Sustainability communications personnel
- Sustainability marketing professionals

In addition, in close collaboration with the sustainability operations team, dedicated staff members are responsible for integrating sustainability into their lines of business, such as:

- Procurement, which includes supplier evaluation
- Human resources, in particular, health, diversity and inclusion, employee engagement, and leadership development
- IT operations, covering issues such as working environment and energy consumed by data centers
- Facility management and environmental building design
- SAP Labs locations around the world, which oversee a range of sustainability projects

Other responsibilities related to material issues are:

- **Financial performance:** The Executive Board retains ultimate responsibility for revenue growth, profitability, and financial stability of the company.
- **Labor standards and human rights:** Overall, global responsibility lies with the Executive

Board member responsible for human resources and labor relations. We foster regular dialog among the sustainability organization and employee representatives, specifically German works councils and the European Works Council created in 2012.

- **Anti-corruption, anti-competitive behavior, and overall compliance:** These responsibilities lie with our Global Compliance Office.
- **Privacy and data protection:** Managed by an internal Data Protection and Privacy Office that operates in Germany
- **Security:** Accountabilities are defined for products and corporate issues; a cross-organizational cybersecurity task force has been established
- **Occupational safety:** Managed locally by each subsidiary in line with local regulation
- **Customer loyalty:** Measured by a dedicated team in the office of the co-CEOs; account managers are responsible for the relationships with their customers

DEFINING OUR COMMITMENT THROUGH POLICIES

Our commitment to make SAP a more sustainable company and to manage our impacts is defined in our global policies, which can be found online on our Sustainability at SAP section on our public Web site [SAP.com](https://www.sap.com). Our policies are applicable to all SAP subsidiaries and are approved by the Executive Board.

SAP adheres to regulations and policies for energy and emissions. For example, SAP reports the greenhouse gas emissions caused by corporate jets under the European Union Emissions Trading System (EU ETS). In addition, the Renewable Energy Sources Act (EEG) is applicable to our German locations where we have installed solar panels.

SETTING GOALS TO HOLD OURSELVES ACCOUNTABLE

We are committed to improving our sustainability performance and holding ourselves accountable for our progress. SAP has set annual, medium-term, and long-term targets for a wide range of performance indicators, spanning environmental, social, and financial impacts. An overview of our goals can be found in the [Corporate Goals](#) section.

CERTIFYING OUR MANAGEMENT APPROACH

In addition to rigorous measurement of key performance indicators and transparency in our results, we take additional steps to enhance our management processes. For example, to formalize our approach to environmental improvements, we have initiated a pilot for a global environmental management system according to the ISO 14001 standard.

To date, SAP legal entities in seven countries – in Bulgaria, Canada, Hungary, Israel, Italy, Germany, and the United States – have received an ISO 14001 certification as part of the pilot program. We expect other entities to follow. These certifications are published in the Sustainability at SAP – Environmental Management section on our Web site [SAP.com](https://www.sap.com).

EVALUATING OUR MANAGEMENT APPROACH

We regularly review whether our strategy, programs, and initiatives are effective. For example, the sustainability operations team has quarterly review meetings with senior executives. We have also launched global internal audit programs for labor standards and human rights as well as for environmental management. While we view external ratings and rankings as a key reflection of our performance, the ultimate measure of our success is whether we achieve the goals we set for ourselves.

DRIVING TRANSFORMATIONAL CHANGE IN OUR BEHAVIOR AND CULTURE

We believe that to help our customers become more sustainable, we must also strive to

become an example ourselves. We look at two main areas to create change: Our processes and our people. Achieving our goals requires challenging and transforming old behaviors and ways of thinking. This journey helps us become more innovative, as we tackle problems in new ways and design creative solutions. The engagement of our employees is essential, as their ideas and commitment help drive change throughout SAP. Our strategy combines organizational changes to embed **sustainability** into our business, as well as educational workshops, campaigns, and other forms of outreach to involve employees. Four key components of these efforts include:

- A focus on transparency and awareness building
- The need to make the benefits of change relevant and meaningful for our company and employees through communication, incentives, recognition, and other means
- The existence of role models within SAP who demonstrate new behaviors and inspire others
- The management of change by ensuring that the right processes and tools are in place

For example, employees learn about **sustainability** through engaging workshops and special events focusing on areas such as energy, health, as well as diversity and inclusion. We embedded the topic of **sustainability** into onboarding training for new employees as well as trainings for managers. Dashboards are available to every employee, detailing impacts from printing, energy consumption, and commuting. We openly communicate about reducing our carbon footprint at the office through such tools as centralized power management on each employee's computer. In addition, we increase our focus on showing the relevance of **sustainability** not only for employees' workplaces but also to their day-to-day jobs and SAP's core business through workshops dedicated to specific organizations and functions within the company.

In 2013, we facilitated open dialog through coffee-corner sessions, virtual all-hands meetings, and social media. Employees were able to explore interactively how **sustainability** is connected to our vision to help the world run better and improve people's lives. They learned of examples whereby individual action made a difference and heard recommendations for getting involved. We measure the success of our initiatives through our annual People Survey. In 2013, 89% of our employees agreed with the statement "It is important for SAP to pursue **sustainability**" compared to 91% in 2012 (and 77% in 2009).

LEADING THE CHANGE

Our leadership also has a key role to play in helping us become more sustainable. For this reason, we continued our Senior Leadership Role Models program in 2013. This program demonstrates how actively managing topics such as work/life balance and talent development leads to greater business success, as well as employee engagement and satisfaction. Our sustainable role models have helped inspire more sustainable behavior throughout SAP by demonstrating that they care about more than financial metrics alone, but also focus on making SAP a great place to work. A newly created dashboard for senior leaders helps them explore the connections between non-financial and financial performance with breakdowns and benchmarks for their teams. For example, they can see how their team's business travel contributes to SAP's overall carbon footprint, along with financial implications of those results and how they compare to other teams.

NETWORK OF SUSTAINABILITY CHAMPIONS

While **sustainability** requires strong leadership, it cannot be mandated from the top. Our employees help us drive our progress throughout the company. We enlist a global internal

network of more than 100 sustainability champions who represent different regions and lines of business at SAP. They dedicate 10% of their work time to promoting sustainability. Not only do they act as role models, but they also tailor sustainability to local needs and interests, and share best practices.

Our sustainability champions are a critical part of our governance strategy, which combines senior and local leadership with employee engagement to drive change at every level of SAP – from our daily operations to our overall sense of purpose.



Governance

Business Conduct, Ethics, and Integrity

✓ **Assured**

We act to ensure that we live up to high ethical standards throughout SAP. Our policies govern the conduct of our management, employees, suppliers and partners, as well as critical areas of our business such as sales, vendor selection, and payroll. In addition, we train employees on the SAP Code of Business Conduct for Employees, which includes guidelines on bribery, antitrust, and a host of other topics. In the case of any breaches of compliance, we take appropriate remedial action.

ESTABLISHING CLEAR AND COMPREHENSIVE STANDARDS

Our compliance management system details our policies and procedures for ensuring ethical business conduct. Audited by KPMG in 2012/2013, this system consists of the following components:

- Fostering a favorable compliance culture
- Defining objectives
- Determining and analyzing compliance risks
- Running a compliance program
- Creating a responsible compliance organization
- Communicating standards clearly
- Monitoring and improving the management system

FOSTERING A COMPLIANT CULTURE THROUGH THE SAP CODE OF BUSINESS CONDUCT FOR EMPLOYEES

One of our priorities has been to establish a common understanding of what we mean by compliance. The SAP Code of Business Conduct for Employees (“Code”) summarizes our standards, and all employees (including top executives) must recognize this Code when they join SAP. While providing a global framework, the Code is adapted locally and translated into local languages. Such adaptation cannot weaken any requirements of the global Code and, in some cases, may be even stricter. In many countries, employees must also renew their commitment on an annual basis. This is not a formality for us but a means to share one of the most important foundations of our culture.

Our Code contains guidelines for all SAP employees as they perform their daily work on behalf of SAP. It is binding for all employees throughout the world and sets the standard for our dealings with customers, partners, competitors, and vendors. Our Code is also a statement of our commitment to safeguarding our investors and customers against unfair competitive practices, corruption, and misleading statements. Our Executive Board approves our Code.

Specifically, our Code covers the following:

- Prohibition of bribery and corruption in all its forms, including facilitation or “grease payments”

- Gifts and business entertainment limits
- Full, fair, and accurate accounting
- Conflicts of interest
- Confidentiality
- Anti-competitive practices

DELIVERING EMPLOYEE TRAINING AND COMMUNICATION ON BUSINESS CONDUCT

Every other year, all employees in customer-facing roles are required to participate in e-learning training on anti-corruption, competition law, and customer commitments. While our last training year was 2012 (with more than 16,000 training sessions), we rolled out these training sessions to employees of newly acquired companies in 2013. We also introduced training on intellectual property (IP) for all employees in 2013, covering how we protect SAP's IP rights and the rights of third parties. Overall, about 88% of employees received training on IP (thereof 81% in the Americas, 83% in APJ, and 95% in EMEA). The Global Compliance Office also held classroom or online conference sessions on anti-bribery and anti-trust issues, as well as the SAP Code of Business Conduct for Employees, with more than 6,000 participants. In 2014, we will conduct training on anti-corruption and anti-trust for the members of the Executive Board.

In addition to our training, we take a number of other steps to ensure that employees are aware of our policies and anticorruption standards:

- The Global Compliance Office conducts awareness calls and meetings
- Local managers send e-mails to their subsidiaries
- All policies, guidelines, and additional information are available on SAP Corporate Portal in local languages

SETTING EXPECTATIONS FOR OUR BUSINESS ACTIVITIES

We have created other policies related to specific lines of business and business activities. These guidelines include:

- **Regulation of the appointment and remuneration of sales agents:** All agents, consultants, or other third parties assisting with a sales opportunity must enter a written contract with mandatory provisions related to corruption and other issues. Before any contract with a third-party sales agent is executed, an integrity check must be completed along with internal approval processes.
- **SAP Partner Code of Conduct:** Governs our expectations of ethical business conduct by our partners. Before working with SAP, all new partners must accept this code.
- **SAP Supplier Code of Conduct:** Governs SAP's expectations of our vendors and suppliers.
- **Corporate Social Responsibility Policy:** Lays out rules for donations made under SAP's corporate social responsibility (CSR) program to ensure that charitable donations are not used for improper purposes such as bribery. The CSR team vets all donations made under this program and conducts a validation process to ensure that the recipient charity is legitimate. For donations that are not supported by the CSR team, we rolled out a Delegation of Authority requiring approval from either the CFO or the Chief Global Compliance Officer.
- **Global IP Policy:** Provides a set of behavioral rules for SAP employees worldwide to comply with regulatory and legal requirements in the area of intellectual property law.
- **Group accounting and revenue recognition guidelines**
- **Segregation of duty:** Applies to all IT processes

CONDUCTING COMPLIANCE RISK ANALYSIS

We review our business units and business activities for potential bribery or corruption on an ongoing basis. For example, we collect quantitative data annually about each subsidiary with employees and revenues (in 2013, these included 91 SAP offices and subsidiaries in 63 countries). This data includes revenue, number of employees, percentage of public sector business, number of fraud allegations or incidents, changes or updates to relevant laws, and other quantitative information. In addition, we periodically conduct interviews with those in key roles at subsidiaries to gain further visibility into the risk landscape. To monitor our processes, the Global Compliance Office works closely with our global governance, risk, and compliance organization to identify areas where a risk assessment is needed; we then drive remediation programs if necessary.

Generally, we find that our primary risks related to compliance concern corruption, antitrust, export controls, and IP (For more information, see our [Risk Report](#)). Our assessment also helps us create a general risk profile for subsidiary locations. Through analysis of our quantitative data, we determine which countries require our highest attention.

ENFORCING POLICIES THROUGH OUR GLOBAL COMPLIANCE OFFICE

The Global Compliance Office oversees the SAP Code of Business Conduct for Employees (“Code”), as well as all other related policies and our anticorruption program. An extension of our Global Legal department, the office consists of global compliance officers based at our headquarters and in our most important markets (especially where local language needs must be met). In addition, each local subsidiary has local compliance officers who assess issues and escalate them to the global level if necessary.

In addition to making regular reports to the CFO and Executive Board, the Chief Global Compliance Officer provides annual reports to the Audit Committee of the Supervisory Board. Matters of significance are brought to the attention of the Executive Board and the Audit Committee of the Supervisory Board on an as-needed basis. Reporting to these boards allows for regular monitoring and continuous improvement to our anti-corruption program.

We further promote compliance through the following practices:

- No employee will suffer demotion, penalty, or other adverse consequences for refusing to pay bribes, even if such refusal may result in the enterprise losing business.
- Employees at all levels of the organization are required to disclose conflicts of interest to the Global Compliance Office.
- In addition to responding to these disclosures, the Global Compliance Office also invites employees to identify any potential conflicts during the annual process of renewing their commitment to our code. Disclosures are then followed up with guidance or mitigation if necessary.

MAINTAINING PROCESSES FOR INCIDENT REPORTING AND REMEDIATION

Employees have a number of avenues to raise concerns to the Global Compliance Office when they believe there has been a breach of the SAP Code of Business Conduct for Employees or when they seek advice:

- Helpline (For more information, see the [Governance – Policies and Statutes](#) section of our public Web site SAP.com)
- Global Compliance Office mailbox
- Contact with local and global compliance officers via e-mail or telephone

- Whistleblower tool used primarily for financial reporting and auditing issues to ensure that anonymous reporting is possible

These channels are communicated to all employees on SAP Corporate Portal, and new hires are informed of them during the new hire process. Our helpline is published on SAP.com for external stakeholders. In addition, reporting channels are described in the SAP Partner Code of Conduct and the SAP Supplier Code of Conduct. Most of these mechanisms are available 24x7, and concerns are treated as confidentially as possible in light of subsequent investigation (concerns can also be raised anonymously through the whistleblower tool). However they are raised, all concerns are investigated, and remedial action is taken if necessary.

Such remedial actions in incidents of corruption may include:

- Written warning (for example, when a policy was violated but it is not clear that actual corruption occurred)
- Termination

SAP responded to all reports of potential bribery and corruption received in 2013. No allegations regarding corruption were substantiated.

JOINING COLLECTIVE ACTION TO COMBAT CORRUPTION

SAP is a member of the German chapter of Transparency International, a non-profit, non-partisan organization that combats corruption in government and international business and development. In addition, we are active in the Alliance for Integrity (AfIn). AfIn is a business-driven multi-stakeholder initiative promoting integrity in the economic system and conditions for compliant and clean business. It was initiated by a number of multinational companies, business associations, the German Federal Ministry for Economic Cooperation and Development (BMZ), the Society for International Cooperation (GIZ), the German Global Compact Network and sequa, a non-profit development organization. The focus of the initiative is on implementing collective action on the ground.



Governance

Sustainable Procurement

✓ Assured

SOURCING FROM SUSTAINABLE SUPPLIERS TO FURTHER IMPROVE OUR PERFORMANCE

In addition to promoting sustainability within our company, we seek to buy products and services from suppliers who meet high environmental and social standards. Such procurement practices help us create a positive impact and provide levers through which we can reduce our emissions. In addition, working with suppliers who demonstrate a commitment to sustainability enables us to comply with the requirements of our own customers.

SAP has a supply chain that supports the development of our software as well as our global operations and employee base. Our purchases consist largely of consulting and development services, travel, and marketing, as well as tangible goods related to IT equipment, our car fleet, and our facilities.

DESIGNING POLICIES THAT REQUIRE OUR SUPPLIERS TO MEET HIGH ENVIRONMENTAL AND SOCIAL STANDARDS

To drive progress throughout our supply chain, SAP has made sustainability an integral part of our Global Procurement Policy, which must be followed by all procurement staff. Our goal is to make sustainable procurement a seamless part of our procurement organization, thereby supporting SAP's overall sustainability goals. This integration involves a continual evaluation of trade-offs between economic, environmental, and social aspects of our sourcing decisions.

SAP is working to make social and environmental criteria mandatory in the selection process for new suppliers. To help drive these sourcing practices, a section on sustainability has been added to our global master contracts, asserting the right to receive information from our suppliers on labor rights, health, safety, environmental protection, and other key sustainability issues.

In addition, our suppliers are required to accept the [SAP Supplier Code of Conduct](#). This code is based on international standards that are relevant to our industry, including the Electronic Industry Citizenship Coalition (EICC) and the United Nations Global Compact. It contains provisions regarding human and labor rights, corruption and bribery, and waste, water, air, and materials.

Wherever applicable we seek and choose suppliers that provide goods and services on a local basis, for example for the food offered in our cafeterias. We started to capture diversity data of our suppliers in the United States as part of a new systematic supplier management in 2013.

ASSESSING THE ENVIRONMENTAL AND HUMAN RIGHTS PERFORMANCE OF OUR SUPPLIERS AND ADDRESSING POTENTIAL RISKS

As part of our new supplier management program, we now ask new SAP suppliers that exceed

a certain business volume with us to answer a supplier sustainability questionnaire, which covers how they protect the environment, respect internationally recognized human rights and labor standards, and prevent corruption. The questionnaire helps us identify risks in our supply chain, as well as areas where we can work with our suppliers to improve performance. Since October 2013, we have screened all of our new direct suppliers on issues related to the environment, human rights, labor standards, and anti-corruption; in the United States, we also checked diversity. Our screening has not identified major risks or significant negative impacts related to their social or environmental performance. As a result, we have not deemed it necessary to conduct any more in-depth impact assessments.

Where we do identify risks, we assert the right to conduct on-site audits. In the event of major noncompliance with our standards, we would request corrective actions. Currently, we conduct supplier audits to assess privacy and data protection, which we believe present the greatest risk to SAP.

We also began measuring the greenhouse gas emissions of our supply chain in 2012, and we are working to further improve our respective methodology. We continue to work with our suppliers to improve our collective footprint. For more information on these efforts, see the [Energy and Emissions II](#) section.

CO-INNOVATING TO BENEFIT OUR SUPPLIERS AND SAP

In recent years, our procurement organization has worked closely with key suppliers to encourage sustainable practices in their respective businesses. We have continued to work directly with suppliers in key areas to ensure measurable improvement:

- **Business travel:** We began close collaboration with our major car rental providers to reduce our carbon footprint and provide a greater variety of sustainable solutions, including hybrid vehicles.
- **Food catering:** We are defining new key performance indicators for food service suppliers at our global locations to measure their environment, health, or safety performance, and are exploring and pursuing more sustainable alternatives. At our offices in Germany, for example, our entire coffee supply is now organic and fair trade.
- **Renewable energy:** In 2014, we plan to power all of our data centers and facilities with 100% renewable electricity. This strategy includes the purchase of Renewable Electricity Certificates (RECs) to increase the share of renewable electricity in our electricity mix. We have established guidelines to ensure that we invest in high-quality RECs that support the development of the renewable energy market.
- **Recycling paper:** We now use 100% recycling paper in Germany. We plan to shift to 100% recycling paper in the EMEA region in 2014.
- **Paperless invoicing:** By utilizing e-invoicing available in cloud solutions from Ariba, we are achieving a reduction of 150,000 invoices annually.



Governance

Public Policy

✓ Assured

SAP has developed trustful relationships with governments worldwide by exploring the potential of information and communications technology (ICT) for spurring economic growth, creating jobs, and addressing societal changes.

In Europe, SAP maintains government relation offices in Germany, France, Russia, and Brussels, Belgium; the latter hosts our European Union Representation Office. In the Americas, SAP has established a government relations presence in Washington, D.C. in the United States, and São Paulo, Brazil. Additional offices are located in South Africa and the United Arab Emirates.

PUBLIC POLICY FOCUS IN 2013

SAP is engaged with governments around the globe on a number of public policy issues including creating reasonable framework conditions for new technologies or business models such as cloud computing and Big Data. Accordingly, SAP is engaged, for example, in the European Cloud Partnership, which has the primary goal to drive growth in Europe by creating the policy framework for a single market for cloud computing in Europe. SAP is also engaged in developing best practices to ensure cybersecurity and the protection of personal data to foster trust and market adoption of these new technologies. In this respect, SAP favors global policy frameworks and international standards that enable the free flow of data across borders.

We also advise governments on how to drive innovation and address societal challenges through the effective usage of digital technologies. For example, SAP serves on the European Union High Level Group for Smart Cities and Communities and the Steering Board of the European Cloud Partnership.

SAP cooperates with governments to promote the development of ICT skills and entrepreneurship, as well as to empower small and midsize enterprises as key enablers for economic growth and job creation.

Finally, SAP is advocating free trade in goods and services through improved market access and greater regulatory cooperation across the globe.

MEMBERSHIPS IN TRADE ASSOCIATIONS

SAP is a member of several trade associations across the globe, including the U.S. Chamber of Commerce, the National Association of Manufacturers, the Organization for International Investment, TechAmerica, the Information Technology Industries Council, the Association of Climate Change Officers, BITKOM, the Federation of German Industries, the Transatlantic Business Council, DIGITALEUROPE, the European Roundtable of Industrialists, the Russian Union of Industrialists and Entrepreneurs, and the Russian-German Chamber of Commerce.

SAP believes in transparency in the political process. Accordingly, SAP is registered in the

European Transparency Register for interest representatives. In the United States, the company is registered and reports in compliance with the Lobbying Disclosure Act.

POLITICAL CONTRIBUTIONS

In principle, SAP does not support any political parties.

Under the laws of the United States, a number of SAP employees continue to exercise their right to create a political action committee (PAC). The SAP Americas PAC is an independent, registered, and strictly regulated organization that allows our employees in the United States to support political candidates on a local, state, and federal level. Consistent with U.S. law, SAP exercises no control over or influence in the SAP Americas PAC. The SAP Americas PAC expenditures are available on the [U.S. Federal Election Commission Web site](#).



Governance

Human Rights

✓ Assured

UPHOLDING STANDARDS REGARDING OUR EMPLOYEES, OUR ECOSYSTEM, AND OUR SOLUTIONS

Respecting human rights is both a moral and a business imperative. Upholding high standards protects our reputation, supports diversity, helps to attract and keep top talent, and fosters our innovation as our employees work in fair, ethical conditions.

In working to ensure that our commitment to human rights translates into practice, we take guidance from the United Nations “Protect, Respect and Remedy” framework. This model spells out the responsibility of businesses to respect human rights and work alongside government to remedy violations of such rights.

In 2011, we adopted the [SAP Human Rights Commitment Statement](#) that details our respect and support of the values of the Universal Declaration of Human Rights, as well as the Declaration on Fundamental Principles and Rights at Work by the International Labour Organization. Our commitment statement has been approved by our Executive Board and is applicable to all our operations and subsidiaries globally.

We based this statement on a global impact assessment that entailed interviewing stakeholders to assess which issues were of greatest importance to SAP. We found that child labor, freedom of association, and forced labor are less material issues for us as a business software provider. We do not manufacture products using vendor factories and contracted labor, and our employees are highly specialized and skilled, with an expectation of a competitive salary and benefits. Nevertheless, we are enforcing human rights and labor standards with our supply chain partners by both our human rights policy and our supplier code of conduct. We also believe that our employees are in a strong position to voice their opinions, making freedom of association a less relevant issue. For example, in our People Survey, 77% of employees are convinced that the working relations they experience at SAP are characterized by mutual trust and respect. At the same time, however, we have identified complex, constantly evolving human rights risks and opportunities that the software industry as a whole faces, from accessibility to security and privacy.

Our human rights statement focuses on three main areas where SAP has the greatest impact: Our employees, our ecosystem of partners and suppliers, and our solutions.

ENFORCING OUR STANDARDS THROUGH AN AUDIT PROCESS AND GRIEVANCE PROCEDURES

Our Sustainability organization is responsible and accountable for orchestrating our approach to respecting human rights and integrating human rights considerations into our business. The team works with colleagues from human resources, procurement, and product development to create a comprehensive approach. To assess whether our human rights measures are sufficient, we consider external benchmarks, performance ratings, audit results, and

stakeholder feedback. In addition, in 2012, we launched a global internal audit program to verify that our subsidiaries adhere to our standards.

RESPECTING THE RIGHTS OF OUR EMPLOYEES AND PROVIDING THEM WITH A VOICE

Our most material human rights and labor standards relate to our employees, and we maintain detailed policies in this area. For example, we have a long-standing policy of non-discrimination in all aspects of our dealings with employees. We are also committed to providing a work environment free from unlawful harassment. Employees who feel they are being subjected to conduct that violates this policy are encouraged to report the conduct to their managers, HR officers, or a compliance office. In the United States, reports regarding harassment and discrimination must be escalated to the Global Compliance Office. Prompt, thorough, and objective investigations are conducted upon receiving complaints, and if it is determined that prohibited discrimination, harassment, or other conduct has occurred, we take appropriate remedial action.

Our global ombudsperson also plays a crucial role in representing the voice of employees. An independent and neutral authority, she is the main contact person for our global employee base to address issues and settle disputes. Her work includes the investigation of staff complaints and the mediation of fair settlements. Our ombudsperson is accessible to all employees on a confidential basis. She also helps the Executive Board analyze HR-related complaints and consider ways to address potential issues before they occur.

Employees have access to other channels to raise concerns about the workplace, including colleagues who are trained to be part of our internal mediation pool. Our Global Compliance Office oversees our anti-bribery and antitrust policies, along with other issues related to our business conduct. In addition to such grievance procedures, we work to uphold high standards by providing training to our employees on human rights issues that are most relevant to our business – namely, security, privacy, and antidiscrimination.

COLLABORATING WITH OUR WORKS COUNCILS TO ENSURE FAIR LABOR PRACTICES

As published in the [SAP Human Rights Commitment Statement](#), we strive for constructive labor relations across the world, working within each country's requirements.

For example, since 2006, our employees in Germany have been represented by works councils. The councils consist of elected union members and non-union members. They have the right to be consulted by SAP management on topics that define the work environment and work processes. These include human resources initiatives, talent development, payment and benefits, equal opportunities, changes in work or information technology processes, privacy protection, and the protection of health and safety.

Other works councils exist in Belgium, France, Ireland, Italy, the Netherlands, Slovenia, Spain, and the United Kingdom. In addition, in 2012, a European Works Council was founded and represents employees from all European SAP subsidiaries. This body must be informed or, in special cases, consulted on important transnational issues.

Collective bargaining agreements with unions are made only in countries where legally required. Overall, about 40% of employees are represented by works councils, an independent trade union, or are covered by collective bargaining agreements.

SAP management is committed to collaborate and communicate with the councils' representatives on corporate management decisions. While we do not have a global minimum notice period in place for making operational changes, we do provide timely information and consult with employee representatives whenever and wherever required.

ADDRESSING HUMAN RIGHTS AND LABOR STANDARDS IN OUR SUPPLY CHAIN AND SOLUTIONS

In addition to our employees, we are committed to respecting human rights in our supply chain and solutions. The [SAP Supplier Code of Conduct](#) and the [SAP Partner Code of Conduct](#) stipulate the upholding of human and labor rights, and we expect both our suppliers and partners to provide a safe, healthy environment for employees.

We also recognize that our software is part of a technology landscape that is rapidly changing, with the potential to impact human rights in complex and profound ways. Major issues include data protection, privacy, and security. For more information on our approach to these topics, see [Security, Privacy, and Data Protection](#) section.



Governance

Security, Privacy, and Data Protection

✓ Assured

Our customers expect SAP to address threats to their on-premise software environments, as well as to their cloud and mobile services. We view trust in our company as a reliable business partner as the foundation of our success. This trust extends to the high quality and security of our entire suite of products, as well as our ability to operate our cloud business both securely and reliably. For this reason, we continually strive to protect customers, business partners, and our own company through a range of coordinated practices.

COMPREHENSIVE SECURITY PRACTICES

At SAP, we take a holistic approach to product security because we are convinced that simplistic approaches do not bring effective solutions. Our strategy includes:

- Software that meets the high SAP quality and security standards
- A dedicated security team that helps ensure our software is developed according to a solid security development lifecycle
- Security functionality built into our products
- Mandatory security training for all developers
- Solid testing and validation of our products, patches, and services before shipment
- A software security response process to rapidly react to detected vulnerabilities and provide fixes
- Security-related service offerings of our support organization
- A specialized security consulting team
- A large ecosystem of partners that specialize in security
- A dedicated research organization focused on security
- Corporate security at SAP locations, overseeing the security of our data centers and development organization

SECURE CLOUD COMPUTING

Security and data protection are especially critical in the cloud, and we view trust in our security and data protection practices as an important differentiator in our cloud business. Both in terms of server locations and processes, our cloud operations meet standards for availability, security, and data protection that are among the highest in our industry and beyond. Currently, SAP is expanding its global network of data centers to meet demand for our growing cloud business and the preference of many customers for local and regional options. Laws on data protection and privacy vary considerably from country to country, and we comply with local laws in each of the countries where we operate.

At the same time, all SAP data centers are required to comply with the same standards for physical and technical security, which are among the highest in the industry. There is typically a transition period for acquired companies as they incorporate our standards. These include blocking illegal entry using biometric readers, bulletproof walls, and concrete pillars, as well as a redundant power supply and Internet connection. We also ensure that access to information

is limited to those meeting a required set of privileges, and all information is classified to reflect its level of confidentiality and is encrypted as appropriate. We conduct full and incremental data backups on a daily, weekly, and monthly basis. As a result, cloud solutions from SAP comply with the latest standards and are certified in many areas, including data center operations, software operations, business continuity, and internal inspection. Certifications include ISO 27001, ISO 22301, ISAE 3402, SSAE 16, and BS 10012, among others.

In 2014, SAP is planning to further extend our cloud security guidelines by publishing a Global Cloud Security Policy that is binding for all cloud offerings from SAP. These guidelines will reinforce our existing principles for security, privacy, and availability in our cloud business while incorporating official standardization conducted outside of SAP, for example, by the National Institute of Standards and Technology (NIST) in the United States.

MOBILE SECURITY

To help our customers ensure their security, the SAP Afaria mobile device management solutions and SAP Mobile Platform deliver centralized control of mobile devices and tablets. Through these advanced solutions, data and content are backed up and can be deleted if a device is lost or stolen. In addition, sensitive data on devices is encrypted, and security policies are centrally enforced.

STRICT DATA PROTECTION AND PRIVACY POLICIES

We recognize the growing importance of privacy in a world of increased access to personal data. SAP adheres to a global data protection and privacy policy that not only secures the privacy rights of employees, customers, prospects, and partners, but also of anyone whose data is processed by SAP and falls within the legal parameters of SAP or our customers. Privacy is regarded a top priority of our Executive Board as well as SAP's legal entities, which must abide by internal policies and applicable privacy laws.

We are implementing a data protection management system, which has already been introduced in a number of internal functions, including support, human resources, marketing, application innovation, custom development, and global services. This system ensures the continual improvement of our risk-based approach and regular internal controls. For example, our global permission-based marketing policy clarifies rules of consent and guidelines for the marketing of our software and services. This policy also provides global standards for third-party engagement, external data rental, and outbound calling, as well as opt-in and opt-out services.

In 2013, SAP has not experienced any significant incidents regarding breaches of customer privacy and losses of customer data, or incidents which would have required reporting subject to the provisions of the German Federal Data Protection Act.

Strategy and Business Model

Letter from the Co-CEOs



From left: **Jim Hagemann Snabe**, Co-CEO; **Bill McDermott**, Co-CEO

Dear Stakeholders,

In 2010, we launched our customer-centric innovation strategy based on a strong conviction that yesterday's technologies could not solve tomorrow's challenges.

We listened to our customers that wanted to adopt innovation faster, analyze unprecedented amounts of data, reach their customers and consumers across all channels, and manage their mobile workers. In response, we expanded our portfolio by investing in cloud-based solutions and mobile technology – and by introducing SAP HANA, our game-changing in-memory technology.

Now, in 2014, it is clear that our strategy was the right one. Today, cloud, mobile, and Big Data are the dominant themes in the IT industry. With four consecutive years of double-digit growth, our success is evident. We are the fastest-growing mega-cap company in the enterprise software industry. For 2013, we reported €16.9 billion non-IFRS total revenue, with 11% constant currency growth in software and cloud subscription revenue (5% at actual currencies). In the same period, our non-IFRS operating margin increased to 33.5% at constant currencies (32.6% at actual currencies). We have more than 253,500 customers from companies of all sizes, across 25 industries, in mature as well as emerging markets.

With the market position and innovation pipeline we have today, we now have a unique

opportunity to deliver significantly more value to our customers and reshape the technology landscape for lower cost and higher performance.

The trends we identified in 2010 have only accelerated, and we remain focused and determined to win in rapidly growing areas, especially in cloud and in-memory technology. Our SAP HANA technology has evolved from a real-time database to a true in-memory platform. SAP HANA now allows companies to radically simplify their IT infrastructure. In 2013, we put our entire SAP Business Suite on SAP HANA. Going forward, our software portfolio and the innovations of our partner ecosystem will be built on the foundation of SAP HANA. In the three years since its launch, SAP HANA has generated nearly €1.2 billion in revenue and has become one of the fastestgrowing products in the history of enterprise software. In 2013 alone, SAP HANA generated €664 million in revenue, which is an increase of 69% over the previous year at constant currencies.

Cloud computing has now become mainstream and is a widely accepted delivery model in the United States, and increasingly in Asia and Europe. The cloud offers an unprecedented opportunity to simplify software delivery and speed to value as customers get immediate access to innovation. Our annual cloud revenue run rate reached €1.06 billion at the end of 2013. For the year, we reported €757 million non-IFRS cloud subscription and support revenue. Today, SAP Cloud powered by SAP HANA is the broadest cloud portfolio in the industry. More than 35 million users work with our solutions in the cloud, and approximately 1.4 million companies trade over half a trillion U.S. dollars of goods and services through our cloud-based Ariba Network.

Our strategy was always embedded in a higher purpose and vision to “help the world run better and improve people’s lives.” In a world of limited resources, we are proud that, with our solutions, 10 million people in South Africa now have access to banking services with their mobile phones, urban governments in more than 50 countries deliver better services to their citizens, and people in more than 21 countries have easier access to education. In addition, we continue to uphold our commitment to the United Nations Global Compact.

Our non-financial performance indicators remained strong in 2013: We increased our Net Promoter Score by 3.2%. We also reduced our carbon footprint by 9% since the beginning of 2008. And, for the seventh time in a row, we have been ranked the number one software company in the Dow Jones Sustainability Index. As more customers choose our cloud solutions and our data centers grow, our total energy use will also increase. In 2014, we are addressing this growth by powering all of our data centers with 100% renewable energy. Moreover, we achieved an employee engagement score of 77%, which is among the highest benchmarks for this indicator. We are especially proud of our more than 66,500 employees, and thank them wholeheartedly for their hard work and innovative spirit.

Our momentum and strong foundation allows us to be bold about our future and set ambitious goals. By 2017, we expect to deliver at least €22 billion in total revenue (thereof €3.0–€3.5 billion from our cloud business). To capture the growth in the cloud, we have extended the time horizon for our 35% operating margin target to 2017. Further, we aim to increase customer loyalty by another four percentage points in 2014. In addition, we remain committed to increasing our already high level of employee engagement to 82% by 2015.

In a world of increasing velocity, innovation is imperative. But innovation must never lose sight of the human spirit, which craves simplicity and clarity. That is why our focus now is to “simplify everything so we can do anything.” With this guiding principle, we believe SAP is

positioned to deliver profitable growth – and to continue our vision of helping the world run better while improving people’s lives.

Best regards,

Bill McDermott
Co-CEIO, SAP AG

Jim Hagemann Snabe
Co-CEO, SAP AG



Performance

Employees and Social Investment

✓ **Assured**

Nothing has a greater impact on SAP's long-term success than the creativity, talent, and commitment of our people. Their ability to understand the needs of our customers and to innovate delivers sustainable value to our company and society. Successful strategies to attract, retain, develop, and engage our employees, therefore, are critical to driving a culture of innovation, sustained growth, and profitability.

We continually review and evolve these strategies in response to the markets we serve, demographic trends, and changes in our business model. As we move more of our business to the cloud, we are navigating profound shifts in how people consume and create software. This rapid change means that we innovate in much faster cycles than in the past. As a result, we must have the right mix of talent and capabilities to support our customers and deliver on our business strategy. Our people must be agile and able to connect quickly and seamlessly with the consumers of our solutions.

We are seeking to complement our established employee base by hiring newer generations of talent that bring a different perspective and skill set. We are also working to address shifting expectations. Many professionals today are seeking a stronger sense of purpose in their work, along with a creative, collaborative, and flexible job environment. Fostering this type of culture is also critical to our ability to innovate.

To adapt to this evolving landscape, we are reviewing a wide range of areas, from how we attract diverse talent and develop our employer brand to how we define what it means for our leaders to develop and excel. In 2013, we took a number of steps to make our talent management strategies even more effective in supporting our future innovation and growth. Mobilizing the skills and passions of the people of SAP fuels not only our own success, but also the success of our customers, as well as our ability to fulfill our vision to help the world run better and improve people's lives.

RECRUITING TALENT TO FULFILL OUR VISION

Throughout 2013, we continued to recruit employees throughout the world, with particular emphasis on emerging markets, including Brazil, China, India, Russia, and Turkey. We are also focused on countries in Africa – namely, Kenya, Nigeria, and South Africa. In addition to our regional emphasis, we laid the foundation to attract talent with different skills to support our cloud strategy. For example, we seek candidates with design expertise to help us create software for the next generation of customers. In addition, we must meet increasing demand for products that take a human-centered approach to design and are extremely easy to use.

To support these priorities, we undertook an end-to-end review of our talent management process in 2013, with particular focus on how to attract and acquire newer generations of talent ("early talent"). We recognize that to meet our business goals, we need a workforce that is agile and multigenerational, with strong cross-cultural awareness. We are highlighting

opportunities for emerging talent to connect with a sense of purpose in their work at SAP. In addition, we are creating new ways to interact with prospective hires, such as inviting our employees to speak with college students, running design-thinking workshops on campus, and expanding our presence on social media.

NURTURING TALENT AND LEADERSHIP

In 2013, we worked toward accelerating employee career development in several ways. Specific projects included enhanced assessments of individual potential and development needs, career development sessions, greater transparency of internal opportunities, and expanded fellowships that allow people to work outside their regular roles. We encouraged employees to work closely with their managers on an ongoing development plan and introduced Success Map, a cloud-based solution developed by SuccessFactors, to enhance talent management and employee development. In addition, we offer a wide range of opportunities for our employees to develop their professional abilities, from e-learning courses to coaching. To ensure that our learning portfolio focuses on the capabilities we need most as an organization, we have been reviewing and refining these offerings. On average, our employees engaged in approximately nine days of training in 2013, compared to 11 days in 2012.

We also undertook a review of our leadership culture to identify and enhance the qualities that are critical as we shift our business model. As a result, we will increase our focus on hiring and developing leaders who drive simplification and develop outstanding talent to ensure our customers' success. Two pilot programs have already provided our leaders with the opportunity to explore such critical topics in depth, exploring how to lead through change, inspire innovation, and take a holistic approach to leadership at SAP. In addition, we continue to offer a comprehensive suite of leadership programs to all levels of management, from coaching to specialized classroom learning. We are especially focused on deepening our general management capabilities.

We believe that to address the complex problems faced by business and society, our employees must understand and collaborate with people from a wide range of backgrounds and perspectives. Our Social Sabbatical program supports this goal, taking an innovative approach to developing talent while creating a positive impact in communities around the world. A group of 72 high-performing SAP employees from 30 countries are working in close collaboration with entrepreneurs, small and midsize enterprises, and nongovernmental organizations (NGOs) in emerging markets. Projects run for one month and focus on helping organizations grow, tackling business challenges, and expanding their impact. Programs are currently running in Brazil, China, India, and South Africa. Social Sabbaticals demonstrate how we can create value for SAP as well as others. Our employees return with an enhanced ability to lead, design innovative solutions, and work across functions, sectors, and cultures. Organizations benefit from fresh input and expertise that advances their mission to serve society.

ENGAGING EMPLOYEES

In our 2013 People Survey, a general survey of all employees conducted every two years, we achieved an overall employee engagement score of 77%. This is down from the engagement index of 79% reached the previous year during a pulse check of half of our employees, but equal to the score achieved during the last full People Survey in 2011. Our target for 2013 was a score of 82%. We are now committed to achieving this score in 2015. Despite the slight drop in employee engagement in 2013, we expect to see an incremental increase in our industry-leading score in 2014.

We attribute this to the fundamental transformation impacting the industry and to changes in top management that took place this year. In response to the market and customers, we are actively driving a growth and innovation strategy, with concerted efforts to be a leader in the cloud with SAP HANA as the platform for the industry. At the same time, the Executive Board has undergone significant changes in the past year, with a sole CEO model heralded for 2014. We continually focus on driving engagement through a range of activities, from career development to enhanced leadership. Finally, each board member has committed to following up on a key topic from the People Survey. Employee engagement remains one of SAP's four company-wide strategic goals, along with revenue, margin, and customer loyalty.

RETAINING TALENT

In 2013, the employee retention rate at SAP worldwide was 93.5% (2012: 94.0%). We define retention as the ratio of the average headcount (expressed in full-time equivalents) minus employee-initiated terminations (turnover) divided by the average headcount. In 2013, the average length of service at SAP worldwide was approximately 6.5 years (2012: 6.8 years).

In addition to measuring our retention rate, we also calculate its financial impact. We conducted an analysis showing that for each percentage point that our retention rate goes up or down, the impact on our operating profit is approximately €60 million.

We do not seek a general retention rate of 100%, as some turnover of talent supports our ability to innovate. However, we view a high retention rate as a priority and work to retain talent through our focus on employee engagement and career development. We are especially focused on retention in highly competitive job markets such as in Brazil and China.

EXPANDING EMPLOYEE OWNERSHIP

In 2013, we continued our share-based compensation programs to give employees worldwide the opportunity to participate in the long-term success of SAP. Our Employee Participation Plan (EPP) is a global plan open to employees worldwide. The plan creates a common financial incentive and reward for achieving the yearly milestones of our 2015 goals. Its formula is based on virtual shares in the Company's performance, allocated at the beginning of the year, and on the performance of SAP stock. The 2013 tranche pays out in 2014.

The EPP is offered to employees in addition to our existing Share Matching Plan (SMP) and Stock Option Plan (SOP). Under the SMP, eligible employees are invited to purchase SAP shares at a discount of 40%. After a holding period of three years, employees receive one SAP share free of charge for every three shares held. Participants in the 2010 tranche received their free shares in 2013 after the holding period ended.

The SOP targets top executives and top performers with an allocation of stock options that vest after three years. Beneficiaries who were granted options in 2010 were entitled to exercise them in 2013 and benefited from the rise in the stock price.

For more information about share-based payments, see the Notes to the Consolidated Financial Statements section, [Note \(27\)](#).

DRIVING INNOVATION THROUGH DIVERSITY AND INCLUSION

We reframed our approach to diversity and inclusion in 2013 to focus on four key areas that are critical to innovation and sustainable long-term success: Gender Intelligence, Generational Intelligence, Culture and Identity, and Differently Abled People. Across all four areas, we seek

to support the unique contributions of every individual. For example, to increase understanding and effectiveness among people of both genders, we conduct a workshop called Women and Men Leading Together. Exploring the subtleties of gender dynamics, this workshop is now mandatory for all senior executives.

We aim to help lead the tech industry in developing a better gender balance, and we continue to work toward our goal of increasing the number of women in management from 18% in 2010 to 25% in 2017. Our overall percentage of women in the workforce slightly increased in 2013 to 31% (2012: 30%), and the percentage of women in management increased to 21.2% in 2013 from 20.8% in 2012. To further support progress, we offer executive sponsorships for women and require that at least one diversity candidate is included on the short list for leadership and other positions. In addition, all members of our Executive Board have committed to dedicated action plans to support the recruitment, retention, and career advancement of candidates with diverse backgrounds.

One of our most significant developments in 2013 was the introduction of our Autism at Work initiative, which has drawn enormous support from the media, the public, and our employees. We ran pilots in Canada, Germany, India, Ireland, and the United States, hiring an initial group of people on the spectrum of autism disorders to work on specialized IT tasks such as software testing. Autism at Work enables us to tap a broader pool of talent and spark innovation by embracing differences in how people think, work, and tackle problems. We also see potential to make a positive impact on people's lives and facilitate a broader conversation about autism that challenges assumptions and inspires change.

CREATING HEALTHY CULTURE

At SAP, we focus on the health of our employees as well as the health of our organizational culture. The two are interrelated, and we want to ensure that people have the ability to manage stress, balance their personal and professional lives, perform at their best, and thereby help drive our innovation. Our Business Health Culture Index (BHCI), based on our People Survey, assesses the degree to which our workplace culture supports people's well-being and work/life balance. In 2013, we achieved a BHCI score of 67%, compared to 66% in 2012. Given the fast pace of change in the IT industry, we have set a goal of maintaining a score of 66% or higher.

We work toward our health goals through such global initiatives as our Health and Innovation Weeks, and workshops for managers on how to help their teams improve their resilience to stress. In 2013, we piloted a program that offered employees in Austria and Ireland the chance to create an in-depth personal health profile and identify opportunities to enhance their well-being. Utilizing tools such as biofeedback, the program assessed everything from diet to sleep habits to how the heart responds to stress. Highly popular with employees, the program provided us with aggregated, anonymous data that will help guide our health efforts in the future as we work to support creativity, resilience, and performance.

SOCIAL INVESTMENTS

Our social investment strategy leverages our talent, technology, and capital to create long-term, sustainable change. In 2013, we continued to focus on two areas that are critical to both SAP and society: Education and entrepreneurship. Fundamental to creating opportunity and enabling people to join the market economy, education also helps to create a pipeline of talent for SAP. Entrepreneurship plays an equally vital role in driving economic growth, creating jobs and spurring innovation. As we provide emerging entrepreneurs with technology and other support, we gain a deeper understanding of the market for small businesses and medium-size

companies, positioning us to better serve customers in the future.

In 2013, SAP contributed about €20 million in cash donations to non-governmental and non-profit organizations. We donated software to more than 1,300 non-profit organizations and began a new program to provide the non-profit sector with **analytics** and cloud solutions. Our employees volunteered about 125,000 hours in communities in 45 countries. In addition, the SAP Solidarity Fund, a non-profit organization focused on helping those affected by catastrophic events, responded to such disasters as the typhoon Haiyan in the Philippines and the flood in Germany. SAP employees donated more than €240,000 to the fund in 2013, of which SAP matched €185,000.

To advance our global entrepreneurship program, we identified 25 entrepreneurs in Brazil who will receive a range of support from SAP, including technology and mentoring. We also introduced a new program, Skills for Africa, which provides free educational opportunities in information and communication technology (ICT) and helps people find employment. Our sister program in Brazil, *Instituto Esperansap*, is now in its fourth year. These programs herald a new way of thinking, where we play a direct role in preparing the next generation of talent and developing a skilled workforce that will help drive our future growth.

HEADCOUNT

On December 31, 2013, we had 66,572 full-time equivalent (FTE) employees worldwide (December 31, 2012: 64,422). This represents an increase in headcount of 2,150 FTEs in comparison to 2012. Of the overall headcount increase in 2013, 1,111 resulted from acquisitions. The average number of employees in 2013 was 65,409 (2012: 61,134).

We define the FTE headcount as the number of people we would employ if we only employed people on full-time employment contracts. Students employed part-time and certain individuals who are employed by SAP but who, for various reasons, are not currently working are excluded from our figures. Also, temporary employees are not included in the above figures. The number of such temporary employees is not material.

On December 31, 2013, the largest number of SAP employees (47%) were employed in the EMEA region (including 26% in Germany and 21% in other countries in the region), while 29% were employed in the Americas region (including 20% in the United States and 9% in other countries in the region) and 24% in the APJ region.

Our worldwide headcount in the field of software and software-related services grew 7% to 11,261 FTEs (2012: 10,551). Cloud operations and support accounted for most of the increase. Professional services and other services counted 14,629 FTEs at the end of 2013 – an increase of 3% (2012: 14,259). Most of this increase was in consulting. A shift in the focus of our **industry solutions** led to some movement of employees from research and development to sales and marketing, resulting in a 1% headcount decrease to 17,804 FTEs (2012: 18,012) in research and development and a 6% headcount increase to 15,824 FTEs (2012: 14,899) in sales and marketing. Mainly as a result of our acquisition of **hybris**, general and administration headcount rose 7% to 4,566 FTEs at the end of the year (2012: 4,286). Our infrastructure employees, who provide IT and facility management services, numbered 2,488 FTEs – an increase of 3% (2012: 2,415) that mainly resulted from our acquisitions and investments in our company IT.

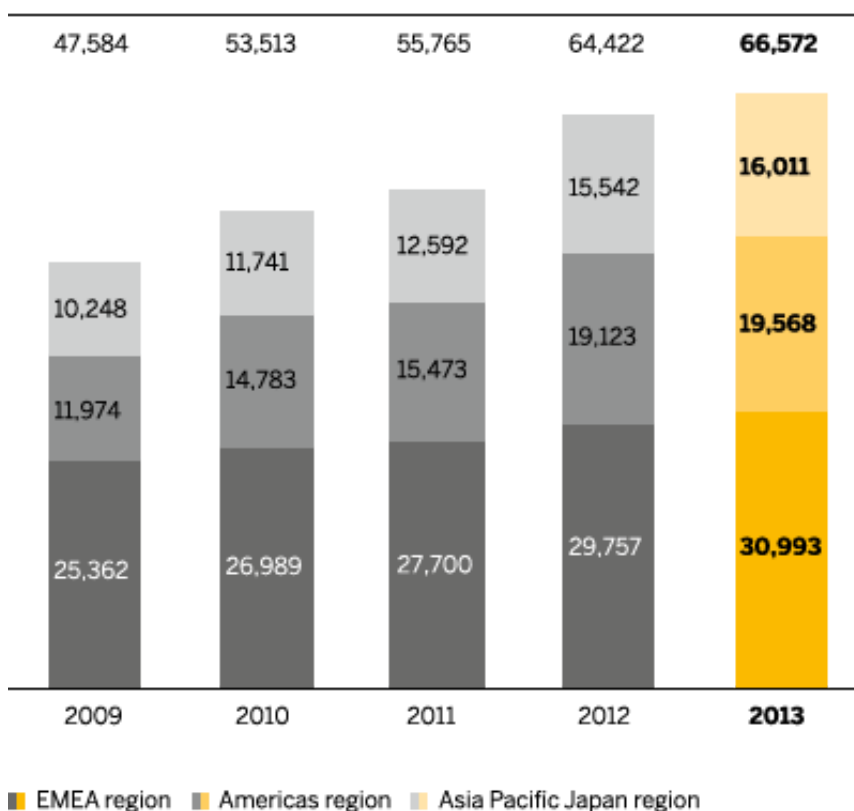
In the Americas region, headcount (FTEs) increased by 445, or 2%; in the EMEA region, the

increase was 1,236, or 4%; and in the APJ region, it was 469, or 3%.

Our personnel expense per employee decreased to approximately €114,000 in 2013 (2012: approximately €119,000). The decrease is primarily related to foreign exchange effects as the majority of our employees is located outside of the eurozone and paid in local currency. The personnel expense per employee is defined as the personnel expense divided by the average number of employees. For more information about employee compensation and a detailed overview of the number of people SAP employed, see the Notes to the Consolidated Financial Statements section, [Note \(7\)](#).

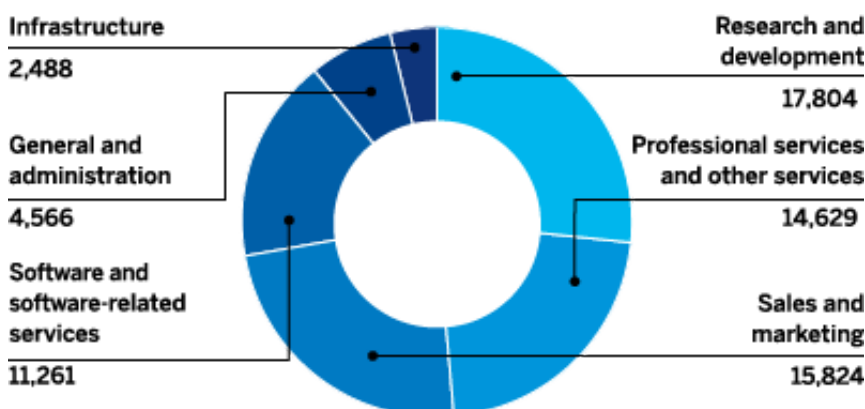
Number of Employees

Full-time equivalents



Employees by Functional Area

Full-time equivalents



Performance

Energy and Emissions I

✓ Assured

Over the past several years, we have worked to better understand the connections between our energy consumption, its related cost, and the resulting environmental impact. Today we measure and address our energy usage throughout SAP, as well as our greenhouse gas emissions across our entire value chain. Since the beginning of 2008, we calculate that energy efficiency initiatives have contributed to a cumulative cost avoidance of €260 million, compared to a business-as-usual extrapolation.

Moreover, to credibly offer solutions that help our customers better manage their use of resources, we must do so ourselves. By addressing the financial and environmental impact of our energy consumption, we have gained valuable insights to create solutions for our customers.

TOTAL ENERGY CONSUMED

Because our energy usage drives our emissions, one of the most important measures we look at is our total energy consumed. This includes all energy that SAP produces or purchases – in other words, the energy whose production causes emissions falling into Scopes 1 and 2 of the Greenhouse Gas Protocol. Our total energy consumption increased to 910 gigawatt hours (GWh) in 2013, compared to 860 GWh in 2012. This increase is due to significant growth in our business. In addition, as software usage shifts to the cloud, we are hosting more of our customers' systems in our data centers, requiring additional servers and facilities that consume more energy. As we describe in more detail below, we believe that this shift has the opposite effect for our customers, who can save energy through our shared infrastructure.

As our business grows, we maintain the efficiency gains we have made over the past several years. For example, our total corporate car fleet is not consuming more fuel despite the fact that a significant number of company cars has been added, since the average company car has become more fuel-efficient. So, while our car fleet grew by 6%, we had efficiency gains of 6% across the entire fleet. As a result, our total energy consumption remained steady at 13,900 kilowatt hours (kWh) per employee in 2013.

GREENHOUSE GAS EMISSIONS

Our goal is to reduce the greenhouse gas emissions from our operations to levels of the year 2000 by 2020. This target includes direct and indirect emissions from running our business (Scopes 1 and 2), as well as a limited subset of other indirect (Scope 3) emissions, such as those stemming from business travel. We do not include all of our Scope 3 emissions in our target because we chose to focus first on those emissions over which we have the most control. However, as detailed in the [Energy and Emissions II](#) section in the SAP Integrated Report 2013 online, we are increasingly addressing both our upstream and downstream emissions to drive a comprehensive carbon strategy for SAP.

In addition to our long-term goal for 2020, we have set annual targets. In 2013, our total

emissions increased to 545 kilotons CO₂ (2012: 485 kilotons). As a result, we missed our annual target to reduce our emissions to 460 kilotons. Just as with our increase in energy consumption, our increased emissions reflect the growth of our business. Due to our environmental efforts of the past, however, the overall absolute reduction achieved between the beginning of 2008 and today is 9%. At the same time, the average number of employees increased by almost 26%.

At the same time, we experienced some decrease in efficiency in 2013 as it relates to our emissions. While our overall energy efficiency remained steady, our greenhouse gas emissions increased from 30.0 grams CO₂ per euro of total revenue in 2012 to 32.4 grams CO₂ per euro in 2013. Our carbon emissions per employee also increased by about 5% in 2013, respectively.

One root cause for this development is our change in business model. As our customers increasingly leverage SAP software in the cloud, our leadership in this market means that systems that previously ran at our customers' sites are increasingly running in SAP data centers. In other words, the emissions that used to be caused by our customers running our software have become SAP's emissions. As a result, our emissions per employee and per euro in revenue increased in 2013.

In 2014, we plan to address these emissions, as well as our overall footprint, by powering all of our data centers and facilities with 100% renewable electricity. This shift will effectively eliminate the emissions caused by our customers' systems that have moved into our green cloud. Given the large size of our customers' footprints and our growth strategy in the cloud, we see significant potential to reduce both our own and our customers' environmental impact. In 2013 alone, the emissions caused by SAP products in use at our more than 253,500 customers' sites were at least 10 times larger than SAP's own footprint, meaning they caused more than 5,800 kttons of CO₂. By using 100% renewable energy, we will dramatically broaden the reach of our sustainability efforts and align them with our cloud strategy. We believe this move will not only help the world run better, but contribute to achieving our 2020 carbon target.

EFFICIENCY VERSUS TRANSFORMATION

Our results in 2013 point to an increasing challenge faced not only by SAP but also by our customers. Companies typically increase their resource consumption when they grow. Under traditional business models, they continuously create and sell more goods or services. For this reason, many companies have focused on increasing their efficiency – a prime example is the far better fuel efficiency of passenger cars today compared to decades ago.

Efficiency, however, has its limits. The demands of growth, as we are discovering, often overtake efficiency gains. Extending the example of cars – we have many more cars on the road today, which more than cancels out the reduction in consumption per car. For this reason, and in addition to our green cloud strategy, we are increasingly focused on another path to sustainable growth – applying technology innovation to transformations in how business is conducted.

In the case of SAP, we are seeking to bring about transformations in a range of areas, from incentivizing behavioral change to supporting innovative approaches to conserving resources. TwoGo by SAP, for instance, is a ride-sharing application that turns the daily commute into an economic, social, and environmental opportunity. We began offering TwoGo by SAP to other companies in 2013, supporting their own efforts to reduce the cost of fuel, parking and

business trips, enhance employee networks, change behavior, and reduce emissions. For more information on this innovation, see www.twogo.com.

NET POSITIVE IMPACT

As the example of TwoGo by SAP shows, we ultimately aim to help other organizations with their journey toward change. While we are committed to improving our own environmental performance, we believe that we can make a far greater impact by helping our customers reduce their energy use and emissions. We are increasingly focused on facilitating and measuring this “enabler effect,” which our software supports in both direct and indirect ways. A prime example of the former is a transportation application that enables companies to better manage their freight and routes to reduce fuel consumption. Indirectly, our customers can use our analytics to assess their operations and make adjustments that will save energy, reduce emissions, and lower costs. For example, our software can help determine when equipment needs refurbishment or support manufacturers in negotiating better energy rates during peak times. Through the advanced computing power of SAP HANA, we can now help companies make these adjustments in real time, increasing their efficiency even further.

Based on a study from Global e-Sustainability Initiative (GeSI SMARTer2020) assessing the potential effect for the information and communications technology (ICT) industry overall as well as our own estimates, we believe that our solutions contribute to an avoidance of emissions that eclipses the footprint of our entire value chain, including our downstream emissions (use of our software at customers’ sites). Putting such estimates in tangible terms, the total emissions generated by ICT are expected to reach 1.3 gigatons (Gt) of carbon by 2020. By contrast, ICT has the potential to abate 9.1 Gt CO₂ in that same time period.

Similarly, we estimate that SAP’s downstream emissions will reach 0.0091 Gt CO₂ by 2020. Global emissions, on the other hand, are expected to reach 55 Gt CO₂ by that time – offering enormous potential for ICT as a whole and for SAP to enable reductions.

We will continue developing methodology to estimate this impact so that we can direct our strategy and resources to those areas where we can create the greatest long-term impact.

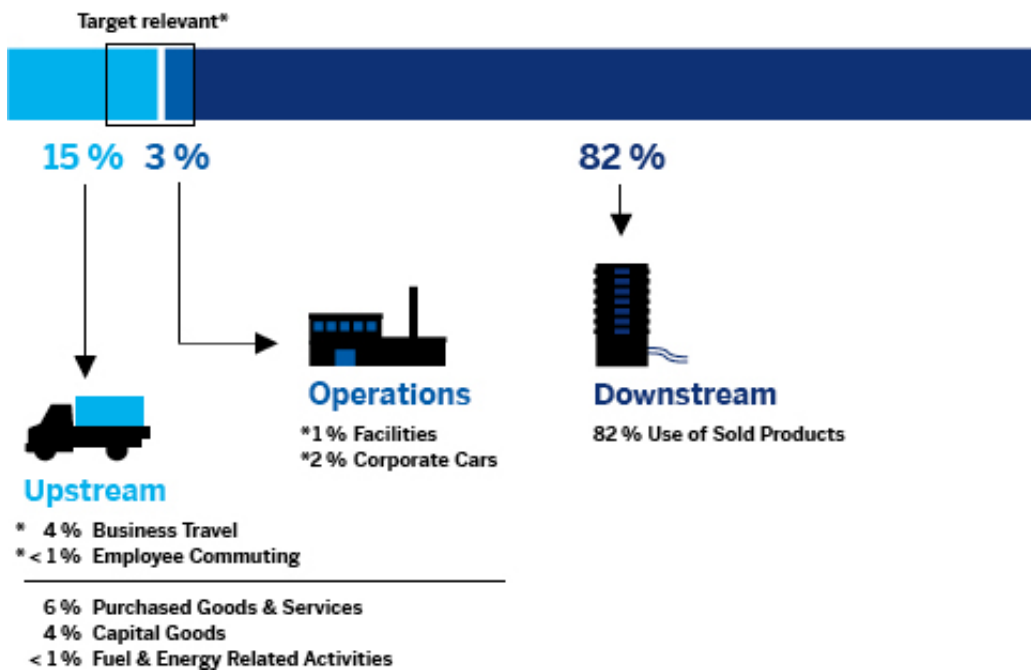
Performance

Energy and Emissions II

✓ Assured

WHAT CAUSES OUR EMISSIONS: A DETAILED VIEW

We look at our energy usage and emissions throughout our entire value chain, gaining insights to help us manage our environmental performance and, in turn, help our customers do the same. Below we highlight the activities and trends that lie behind our results for 2013, from where we consume the most purchased electricity to the impact we have through the use of our products.



DIRECT EMISSIONS (SCOPE 1)

Consumption of fuel for our company cars remains the single greatest contributor to our Scope 1 emissions. In 2013, we worked to become even more efficient by reducing the cap on emissions for our corporate car fleet. In addition, we focused on greater shifts in commuting habits. For example, [TwoGo by SAP](#), an SAP solution for commuting, not only makes ride-sharing more efficient, but also helps change employee attitudes and behavior. We are also pursuing a deeper level of change by providing incentives to our employees to purchase electric cars, and we will continue to seek more mobility alternatives for our employees in the future.

INDIRECT EMISSIONS (SCOPE 2)

Our purchased electricity powers everything from our data centers to our buildings throughout the world. We continued a wide range of efficiency projects to reduce our energy usage, including facility upgrades and new LEED certifications. We also expanded the management of our environmental performance through ISO 14001.

Data center energy

Data centers are at the heart of how SAP provides solutions to our customers. The energy consumption in data centers is closely related to technology innovation and customer adoption of our solutions. In 2013, our data center electricity consumption increased from 160 gigawatt hours (GWh) to 173 GWh. On a per employee basis, it went from 2,598 kilowatt hours (kWh) per employee to 2,633 kWh per employee; this represents an increase of 1.3%. Energy usage in our data centers contributed to 6% of our total emissions in 2013, compared with 5% in 2012.

The increased energy consumption in our data centers, as with our total energy consumption, reflects SAP's growth and the expansion of our business model to the cloud. In the past, one of our prime strategies for reducing our data center energy consumption was to virtualize our servers. In line with this strategy, SAP will accelerate and enhance the virtualization efforts around SAP HANA, one of the most important technology and platforms we offer our customers. The number of virtual servers in our data centers increased from 67% in 2012 to 69% in 2013. In 2011, 65% of our servers were virtual.

Renewable energy

Our investment in renewable energy reduces our carbon footprint while supporting broader shifts in the energy market. We are committed to buying from renewable sources – namely, hydro, wind, solar, and biomass. In 2013, renewable energy accounted for 43% of our total electricity, compared with 51% in 2012 and 32% in 2011. This decrease is due to our acquisition of Ariba and SuccessFactors, which did not use any renewable energy, as well as a decrease in the purchase of renewable energy certificates. While renewable energy continued to meet our electricity needs in a number of locations, we recognize that we will need to increase our investment to reach our long-term goal. Therefore, SAP will use 100% renewable energy in its data centers and facilities starting in 2014 (see also "[Downstream Emissions](#)" below).

UPSTREAM EMISSIONS (SCOPE 3)

About 15% of our carbon footprint comes from our upstream emissions, which stem from [our purchase of goods and services](#). Our supply chain provides us with opportunities to improve our environmental performance, because we can have influence on our suppliers and buying practices. For example, our business flights alone account for about 45% of our total emissions calculated against our target.

In addition to working with our suppliers on improvements, we are encouraging the use of virtual meeting technology. One innovation is virtual studios, where our employees can interact virtually with customers in a different location in a compelling way. We introduced these studios in 2013 in a range of locations, including Australia, China, Dubai, Germany, India, Singapore, and Spain.

DOWNSTREAM EMISSIONS (SCOPE 3)

The vast majority of our overall emissions stem from the use of our software. When SAP software runs on our customers' hardware and on their premises, the resulting carbon footprint is about 26 times the size of our Scope 1 and Scope 2 emissions. We have developed a strategy to help our customers, hardware providers, and others address this impact. Given that we cannot control our customers' IT landscapes because they usually contain many elements not related to SAP software, we share this responsibility with others.

Our downstream emissions strategy focuses on two main areas. The first is landscape

optimization. We work with our customers to help them decommission legacy systems, archive unused data, and consolidate their business applications, as well as virtualize their system landscape – all of which helps reduce the size and cost of their IT environment. The second part of our strategy involves SAP HANA, which not only increases computing speed but can also help create much leaner and simpler operations. With SAP HANA, we are now merging the worlds of analytic and transactional data into one real-time, in-memory platform, which can further simplify the system landscape for our customers.

One of the most important ways that we can help our customers reduce their energy usage and emissions is by managing their SAP systems through managed cloud services provided by SAP Cloud powered by SAP HANA, thereby enabling them to share our infrastructure. While we require more servers and use more energy to provide this service, we estimate that this increase is smaller than the energy reductions we are facilitating for our customers. In addition, we are shifting to 100% renewable energy in our data centers in 2014, which will enable us to power our customers' systems in our "green" cloud without any increase in emissions. In this way, our cloud strategy will further advance our ability to help our customers reduce their carbon footprints.

OFFSETS

It is our policy to only apply offsets to our Scope 3 emissions, and to date, we have not bought offsets even for this purpose. Instead, we have made a 20-year investment of €3 million in the [Livelihoods Fund](#), a unique investment fund whose returns consist of high-quality carbon credits. We expect that, over 20 years, this investment will enable us to offset an estimated 700 kilotons of carbon. The fund supports the sustainability of agricultural and rural communities worldwide. In eastern India, for example, it is helping communities plant fruit trees to diversify food sources and address over-cultivation of soil. This way, we are making a financial investment that brings benefits to society, the environment and SAP. In effect, we have changed from a consumer of carbon credits to a producer of them.

Performance

Waste and Water

✓ Assured

CREATING A GLOBAL APPROACH FOR RECYCLING E-WASTE

Taking steps to recycle our waste and save water contributes to both our environmental and business performance, as we keep waste out of landfills, reduce our operational costs, and engage our employees in our efforts.

While we seek to reduce all forms of waste – from the food in our cafeteria to the paper in our printers – our single largest source of waste comes from the IT equipment that we use to develop our software and serve our customers. This consists of laptops, PCs, CDs, peripherals, and a range of mobile devices including tablets and smartphones. We set an ambitious target for 2013 to have 1.11 laptops or PCs per user. (At the end of 2011, the ratio was 1.18 devices per user, and in 2012, it was 1.15 devices.) Our developers sometime need multiple devices to test software on different platforms.

In 2013, we achieved this rate of 1.11 laptops or PCs per user, totaling approximately 80,000 in use throughout SAP. For 2014, we have set a goal of 1.10 devices per user. We also continued to implement changes that we began several years ago. At that time, we took a major step to recycle our e-waste by contracting with a global disposal partner considered one of the world's most sustainable companies. This partner adheres to ISO 14001 standards and ensures that we have one uniform disposal process for e-waste worldwide. In addition, we run a used equipment shop in Germany that offers “gently used” devices to employees who may not require new equipment.

In 2013, most SAP locations adopted the new process to dispose of the hardware used by our employees. In 2013, we estimate that we will be able to recycle up to 98% ¹⁾ of our electronic equipment.

COMPOSTING AND RECYCLING OUR ORGANIC AND OTHER WASTE IN MULTIPLE LOCATIONS THROUGHOUT THE WORLD

In addition to e-waste, we estimate that we generated approximately 12 kilotons of waste in our offices, cafeterias, and product packaging worldwide in 2013, compared to 10 kilotons in 2012.

To reduce this waste, we run comprehensive recycling programs for our offices and cafeterias. For example, we recover leftover food in our Walldorf headquarters for use in an external composting plant. SAP Labs in Bangalore, India, has installed an “organic waste converter” to recycle organic waste from the large food services and cafeteria operations on its campus into odor-free, homogenized compost. At SAP Labs in Palo Alto, we recycle nearly 100% of office and catering waste.

Beyond recycling, we try to use more sustainable materials in our business. For example, while we seek to encourage electronic downloads of our software, we package our software

compact discs in cardboard and paper instead of plastic when customers request a physical disk. Employees in our German locations only use recycled paper, and we are seeking to expand the availability and use of recycled paper elsewhere in EMEA as well. From 2009 to 2013, we have reduced our paper usage by more than 30% through a printing optimization initiative that, among other improvements, sets our printers to a default setting for double-sided printing. In 2013, we piloted a new pull printing system under which our employees must bring their badge to the printing room to activate a job – thereby heightening awareness and adding a step to the printing process.

USING GRAY WATER, INSTALLING WATERLESS BATHROOM FIXTURES, AND OTHER EFFICIENCY EFFORTS

While our operations are not water-intensive, we continue to use water as efficiently as possible. We estimate that we used approximately 1,269,000 cubic meters of water worldwide in 2013 (924,500 cubic meters in 2012). As part of our efficiency efforts, we use run-off water, also known as gray water, for irrigation and toilets in Walldorf, Germany. In some of our offices in Brazil, Canada, India, Israel, Singapore, Switzerland, and the United States, we have installed waterless bathroom fixtures, pressure reduction valves, and reduced-flush toilets. We have very few offices in areas with extreme water scarcity. For example, in Bangalore, India, we address this issue with a dedicated water management that ranges from technical changes to reuse of treated sewage water and employee awareness campaigns.

As in other areas, we pursue innovation to drive further improvements. For example, we are looking at the potential to reuse the water that is used to cool our buildings in warmer locations throughout the world.

¹⁾ The recycling rate is based on 2012 data.



Performance

GRI Index and United Nations Global Compact

The social and environmental data and information included in the SAP Integrated Report 2013 is prepared in accordance with the core option of the international guidelines G4 of the Global Reporting Initiative (GRI).

General Standard Disclosures

General Standard Disclosures	Links and Content	External Assurance	Global Compact Principles
Strategy and Analysis			
G4-1	Letter from the Co-CEOs		
Organizational Profile			
G4-3	Overview of the SAP Group	✓	
G4-4	Portfolio of Products, Solutions, and Services	✓	
G4-5	Overview of the SAP Group	✓	
G4-6	Subsidiaries, Associates, and Other Equity Investments	✓	
G4-7	Investor Relations		
G4-8	Customers	✓	
G4-9	Headcount; Subsidiaries, Associates, and Other Equity Investments; Consolidated Financial Statements	✓	
G4-10	Chart Generator		6
G4-11	Human Rights and Labor Standards	✓	3
G4-12	Sustainable Procurement	✓	
G4-13	There were no changes with significant impacts regarding our supply chain.	✓	
G4-14	We support a precautionary approach towards environmental management. While we see little apparent risk for our own operations, we do see an opportunity to help our customers anticipate and manage this risk in a more agile and responsive fashion through effective product lifecycle management and sustainable design.	✓	7
G4-15	Memberships	✓	
G4-16	Memberships	✓	
Identified Material Aspects and Boundaries			
G4-17	Subsidiaries, Associates, and Other Equity Investments All entities are covered by the report.	✓	
G4-18	Materiality; About This Report	✓	
G4-19	Materiality	✓	
G4-20	GRI Content Index; Non-Financial Notes	✓	
G4-21	GRI Content Index; Non-Financial Notes	✓	
G4-22	Non-Financial Notes	✓	
G4-23	This is the first year that we describe aspect boundaries within and outside SAP.	✓	

Stakeholder Engagement			
G4-24	Stakeholder Engagement	✓	
G4-25	Stakeholder Engagement	✓	
G4-26	Stakeholder Engagement We have not engaged stakeholders specifically as part of the report preparation process.	✓	
G4-27	Stakeholder Engagement	✓	
Report Profile			
G4-28	About This Report	✓	
G4-29	March 22, 2013	✓	
G4-30	About This Report	✓	
G4-31	Contact		
G4-32	GRI Content Index	✓	
G4-33	Independent Assurance Report; Governance for Integrated Reporting	✓	
Governance			
G4-34	Governance; Sustainability Management and Policies	✓	
Ethics and Integrity			
G4-56	Business Conduct	✓	10

Specific Standard Disclosures

DMA and Indicators	Links and Content	Omissions	Boundaries	External Assurance	Global Compact Principles
Material Aspect: Business Conduct					
DMA	Sustainability Management and Policies; Business Conduct; Materiality			✓	10
SO3	Business Conduct		SAP	✓	10
SO4	Business Conduct		SAP	✓	10
SO5	Business Conduct		SAP	✓	10
SO6	Public Policy		SAP	✓	10
SO7	Litigation and Claims		SAP	✓	
SO8	Litigation and Claims		SAP	✓	
Material Aspect: Climate and Energy					
DMA	Sustainability Management and Policies; Sustainable Procurement			✓	8
EC2	Risk Report; Energy and Emissions I; In addition, SAP provides details on risks and opportunities related to		SAP + outside		7

	climate change through the CDP				
EN3	Energy and Emissions I; Energy and Emissions II; Non-Financial Notes		SAP	✓	7, 8
EN5	Energy and Emissions I; Energy and Emissions II		SAP	✓	8
EN6	Energy and Emissions I; Energy and Emissions II		SAP	✓	8, 9
EN8	Waste and Water	Our operations are not water-intensive. Therefore, we do not report on the sources of water withdrawal.	SAP	✓	7, 8
EN15	Energy and Emissions I; Energy and Emissions II; Chart Generator; Non-Financial Notes		SAP	✓	7, 8
EN16	Energy and Emissions I; Energy and Emissions II; Chart Generator; Non-Financial Notes		SAP	✓	7, 8
EN17	Energy and Emissions I; Energy and Emissions II; Chart Generator; Non-Financial Notes		outside	✓	7, 8
EN18	Energy and Emissions I		SAP + outside	✓	8
EN19	Energy and Emissions I		SAP + outside	✓	8, 9
EN23	Waste and Water	Our operations are not waste-intensive. Therefore, we do not report on the different types of waste and disposal methods.	SAP	✓	8
EN30	Energy and Emissions II; Non-Financial Notes		SAP + outside	✓	8
EN32	Sustainable Procurement		outside	✓	8

Material Aspect: Financial Performance

DMA	Sustainability Management and Policies; Materiality; Report on Expected Developments; Report from the Supervisory Board We are working with our customers to understand the impact our solutions have on their success and document this in case studies. This is in			✓	
-----	--	--	--	---	--

line with the expectations of our stakeholders as well as public policy makers. SAP does not conduct community assessment programs.

N/A	Report on Economic Position		SAP	✓	
-----	---	--	-----	---	--

EC8	Customer Stories		outside		9
-----	----------------------------------	--	---------	--	---

Material Aspect: Human Capital Management

DMA	Sustainability Management and Policies; Sustainable Procurement; Human Rights			✓	1, 2, 3, 4, 5, 6
-----	---	--	--	---	------------------

LA1	Employees and Social Investment; Chart Generator	A breakdown of new employee hires by age group and gender as well as total numbers is proprietary information for SAP.	SAP	✓	6
-----	---	--	-----	---	---

LA6	In Germany, we measure the accident rate with a "1000-Mann-Quote" (TMQ). This is calculated as the number of reportable accidents × 1000 employees/number of full-time equivalents. Reportable accidents are work-related and include commuting accidents that result in more than three days of absence from work. In 2013, the TMQ improved to 3.5 (3.9 in 2012). We also measure the accident rate per one million working hours. In 2013, this value improved to 2.2 reportable accidents per one million working hours (2.5 in 2012).	Injuries, diseases, lost days, or absenteeism are not a material issue for SAP as we track our Business Health Culture Index on a global basis.	SAP	✓	
-----	--	---	-----	---	--

LA9	Employees and Social Investment	Training hours split by gender and employee category are not a material issue for SAP as we align our training activities according to the needs of each employee and do not tolerate discrimination.	SAP	✓	6
-----	---	---	-----	---	---

LA10	Employees and Social Investment For continued employability and managing career endings, SAP has dedicated staff to support generational intelligence. These experts work on continuously improving processes and designing programs for sustaining employability as long as possible; providing training for cross-generation collaboration; managing career endings in a flexible way (for example, part-time options); and keeping employees connected with the company after retirement. SAP also participates in		SAP	✓	
------	--	--	-----	---	--

external research studies and networks on workforce demographics to share and learn about best practices in this field.

LA11	Employees and Social Investment	The split by gender is proprietary information for SAP.	SAP	✓	6
LA12	Employees and Social Investment; Chart Generator		SAP	✓	6
LA14	Sustainable Procurement		outside	✓	
HR4	Human Rights and Labor Standards		SAP	✓	3
HR5	Human Rights and Labor Standards		SAP	✓	5
HR6	Human Rights and Labor Standards		SAP	✓	4
HR10	Sustainable Procurement		outside	✓	2
Material Aspect: Intellectual Capital Management					
DMA	Sustainability Management and Policies; Customers			✓	
PR5	Customers		SAP	✓	
Material Aspect: Security and Privacy					
DMA	Sustainability Management and Policies; Security and Privacy; Materiality			✓	
PR8	Security and Privacy		SAP + outside	✓	1



Notes