ESG & Sustainability Solution

ESG: An organizational and morale imperative

Natural disasters and world political crises

01

Climate change affects the safety of every industry sector through physical risks, such as extreme weather events. Drivers of physical risk and transition* risk will impact almost every enterprise.

Supply chain shortages and failures

02

These risks affect also the resilience of institutions' business models from mid to longer term. This is particularly valid for institutions whose business model depends on sectors and markets that are particularly vulnerable to climate and environmental risks.

Influence on enterprise value and share prices

03

These severe changes can directly hit enterprises – e.g. by falling profitability or shareholder value. In addition, economic changes resulting from climate change (e.g. higher energy and/or labor cost) will create additional challenges to these enterprises.

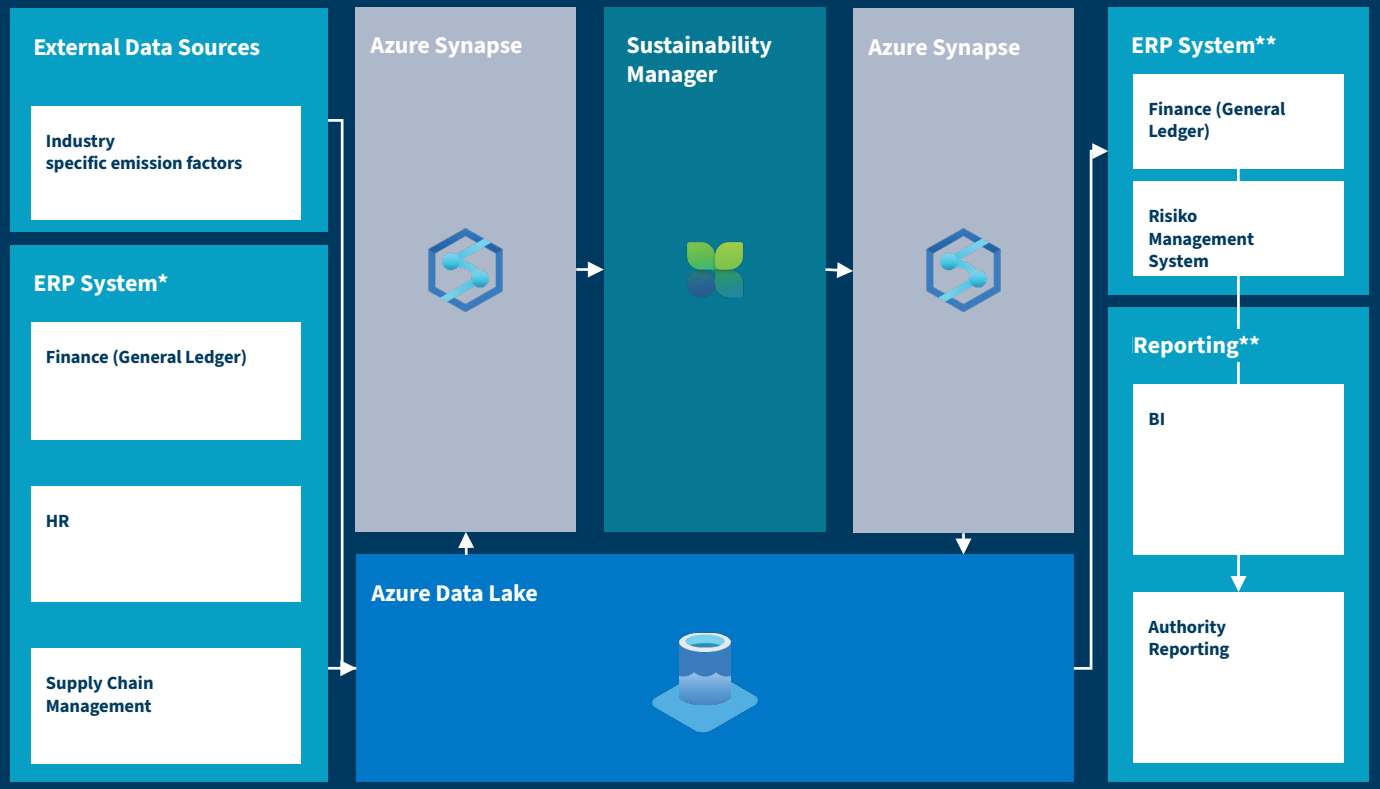
Monitoring of risks and disclosure of information

04

The Corporate Sustainability Reporting Directive released by the EU in November 2022 is changing both scope and nature of corporate sustainability reporting. Enterprises will face significantly enhanced requirements of non-financial reporting.

* Business leaders must analyze and assess their business partners of how they evolve on their transition journey towards a zero-carbon economy.

HSO + Microsoft: Empowering your ESG performance



* Depending on an organizations business, further sources might be relevant.
** Independent of the already existing system landscape and software of third-party providers.

Fulfilling regulatory requirements by using Microsoft Technology

HSO will identify the GAPs within our predefined four dimensions of your company within a workshop format.

- Organisation & Governance
- Processes & Policy oSystems & Information
- Talent & People

HSO determines a roadmap for closing the GAPs in the individual dimensions and under consideration of dependencies.

In the dimension "Systems & Information", the base for the system landscape is recorded. The goal is to determine which data is available and which interfaces are needed in order to fulfill the regulatory requirements.

The Microsoft Sustainability Manager serves as a base element for collecting and presenting the emission data in a structured form.

Furthermore, Microsoft technology together with HSO** provide the monetary relation and maps those into EU taxonomy specifications.

"The advantage of the Microsoft-based solution outlined is its flexibility and scalability. The solution can be integrated into various ERP application landscapes."

Step 1: Conduct a Sustainability Health Check

01

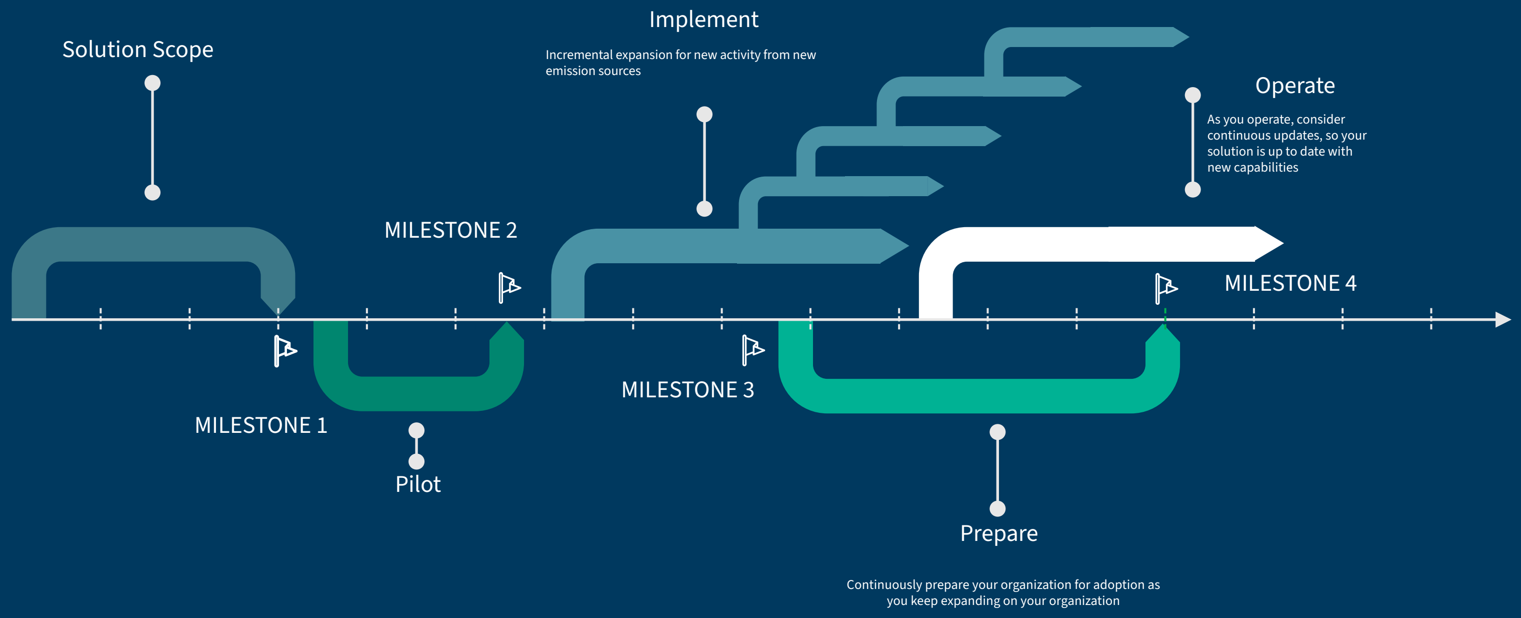
- Performing HSO Sustainability Health Check on Organization & Governance, Policy & Processes, System & Information as well as Talent & People
- Analysis of industry specific reporting requirements
- Identification of strengths and challenges
- Definition of the key ESG KPIs
- Analysis of goals and optimization potential

02

- Identification of processes and IT stakeholders
- Execution of a GAP analysis
- Development of measures
- Definition of the ESG IT target architecture
- Definition of an implementation roadmap

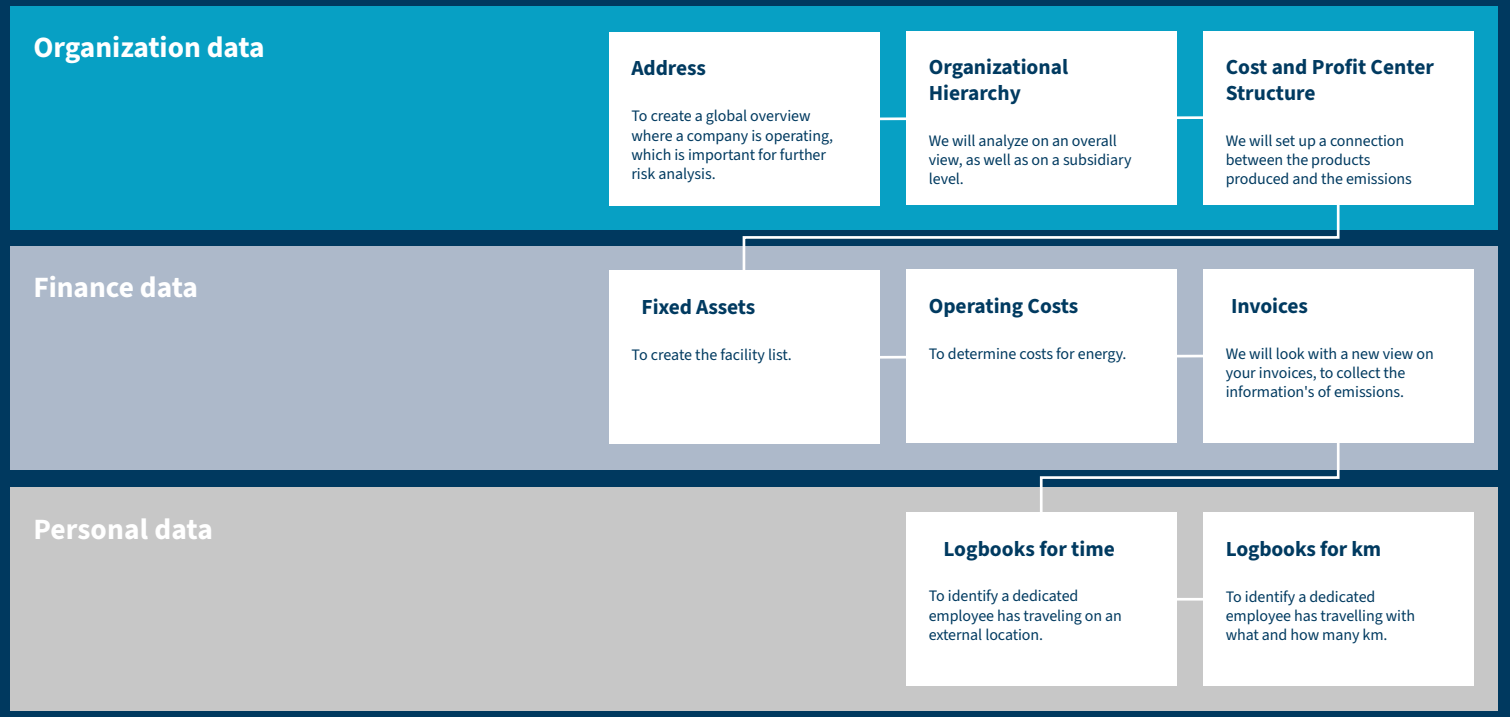
03

- Creation of the data model
- Integration of the data
- Change of processes and IT landscape
- Implementation of ESG reporting
- Testing and quality assurance
- Rollout, training and hypercare



After a Sustainability Health [illegible] Manager

Step 2: Identify & Analyze Emissions



Together with HSO you will identify your Emission sources

HSO will support you to determine the area. This can include the direct emissions from business operations and the indirect emissions from an organization services or product.

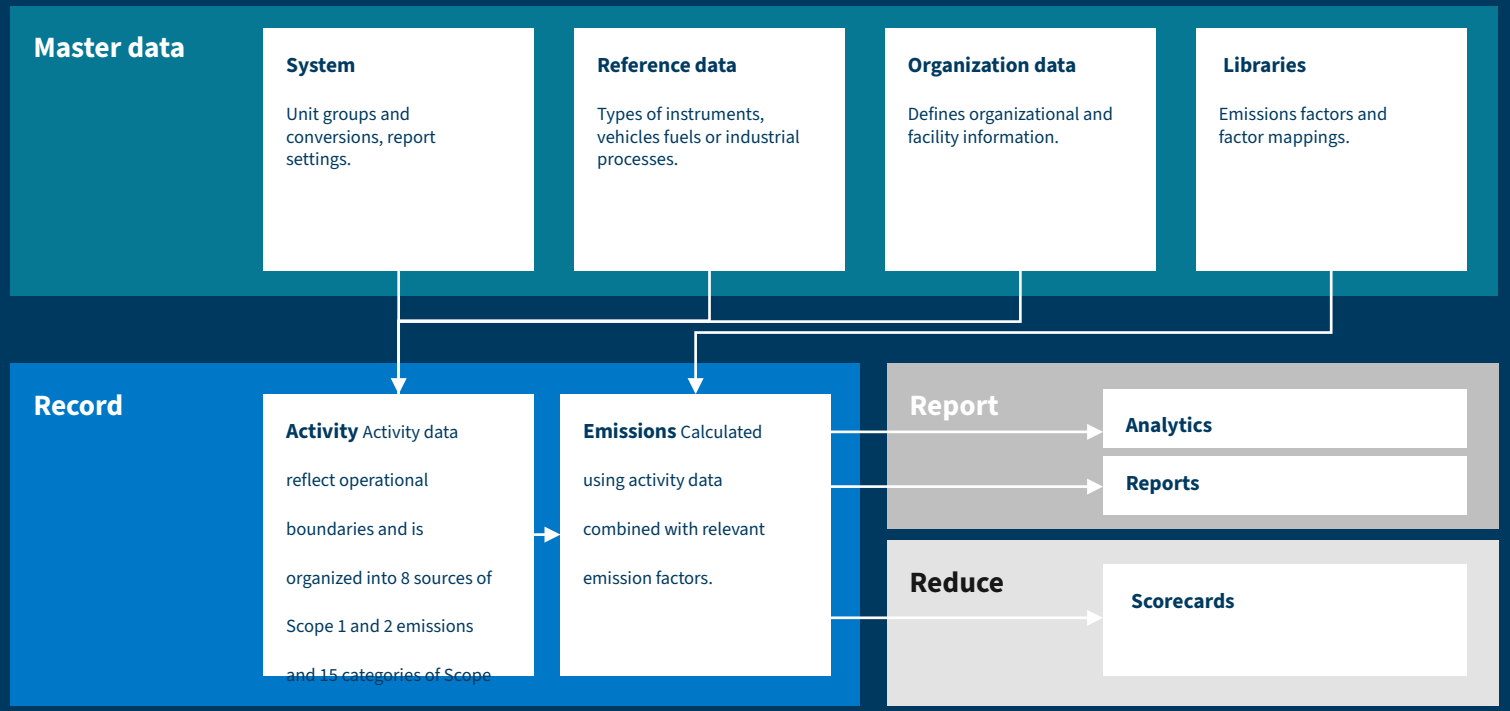
- The emission sources will be identified by analyzing the accounting areas for example within the fixed assets.* Here, the ERP system provides the direct emissions sources and the indirect emissions sources.
- Therefore, an inbound interface to Microsoft Sustainability Manager will be set to calculate, visualize and manage the information.

Through the HSO project approach we will consider the Emissions Sources throughout the whole organization, depending on the scope.

- With your organizational data we are analyzing the base information of the organization, for which the solution is built.
- With the fixed assets we create on base-level location to attribute activity data. Those may contain multiple buildings and organizational units.
- We use anonymous data out of the personal system to analyze your entity for business travel activity data, including vehicle, train, and air travel, as well as hotel stays.**

* Depending on an organizations business, different sources might be relevant, such as Supply Chain Management Tooling.
** Depending on an organizations business, different data might be relevant.

Step 3: Set Sustainability Targets



Measure Emissions recording to GHG Protocol

With the HSO project approach and the integration of Microsoft Sustainability Manager into the existing system landscape, HSO has created a solution to enable structured data collection, processing and reporting.

- The boundaries have already been determined in the analysis of sources, which capture the direct and indirect emissions of an organization.
- The Sustainability Manager already includes a standard set of emission factors and more over has the possibility to enter custom emissions which are fitting to an organization's operations.*
- HSO will guide your organization through to create an inventory of emissions by compiling the emission quantities from all identified sources.

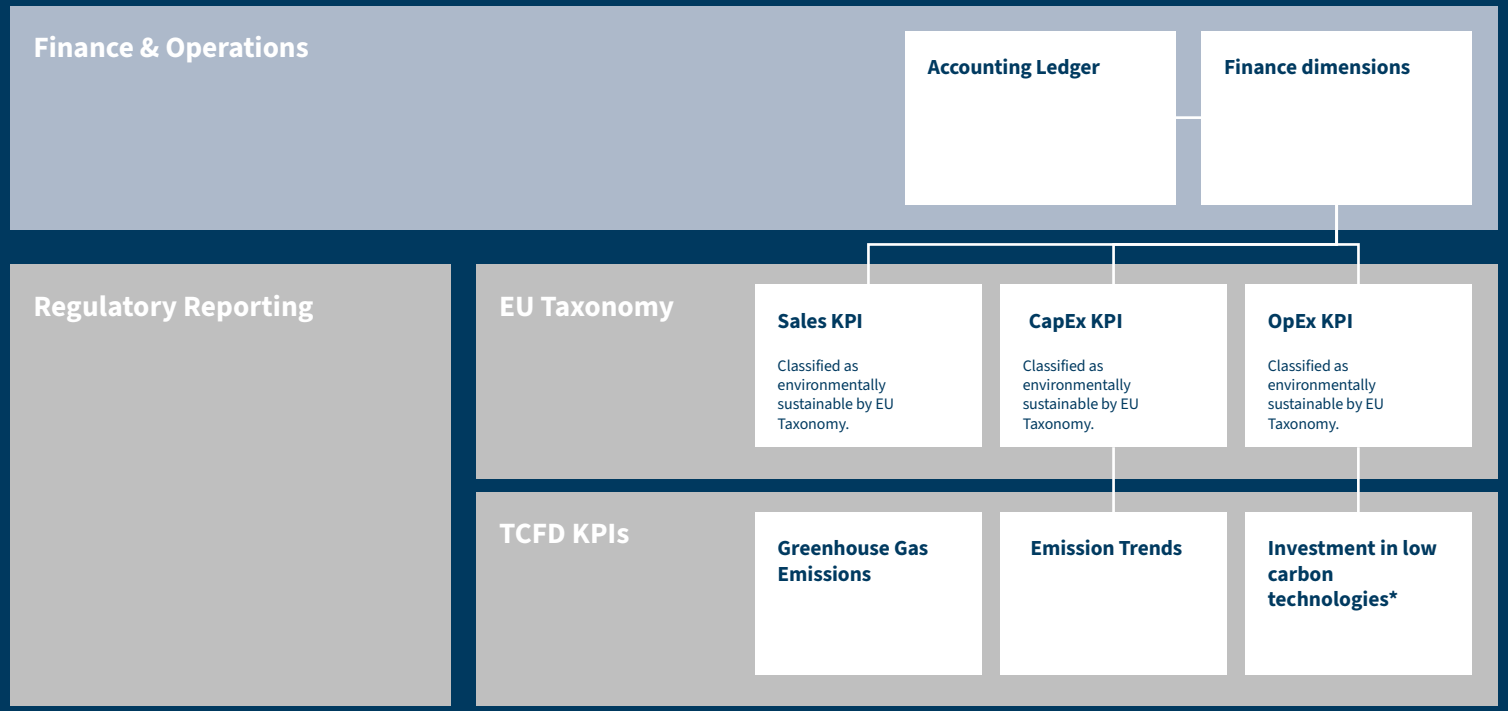
By transforming those data into information, HSO consider the regulatory requirements and creates a base, by visualizing Scope 1, 2 and 3 emissions after GHG Protocol.

The identification within assets and activity of an organization creates the emission inventory and lead to the base for TCFD and EU taxonomy reporting.

Together with HSO, score cards will be created and goals for the sustainability journey will be set.

* Depending on an organizations business, HSO and Microsoft will consider if a third-party provider is needed to determine emission data.

Step 4: Measure Performance



HSO transmit your emissions into monetary values

HSO will guide you with an outbound interface to your Finance system to generate the respective regulatory KPIs

- Sales KPI: The proportion of its sales revenue generated by products or services related to economic activities that are classified which are to be classified as environmentally sustainable by EU Taxonomy.
- CapEx KPI: Proportion of their capital expenditures and, where applicable, related to Assets or processes associated with economic activities that are considered environmentally sustainable
- OpEx KPI: Proportion of their operational expenditures and, where applicable, related to Assets or processes associated with economic activities that are considered environmentally sustainable

The TCFD provides a framework for disclosing climate-related information but leaves room for companies to customize it to reflect their specific circumstances and challenges.

HSO will support you in disclosing on Industry, size and type of business.

* Depending on an organizations scope further TCFD KPIs are possible to implement.

Step 5: Meet Sustainability Goals

BI

Dynamic Rating/Scoring
Complex rating/scoring schema for KPI reporting with a dynamical criteria definition.

Long-Term Evaluation
Highlevel Reporting based on the main KPIs.

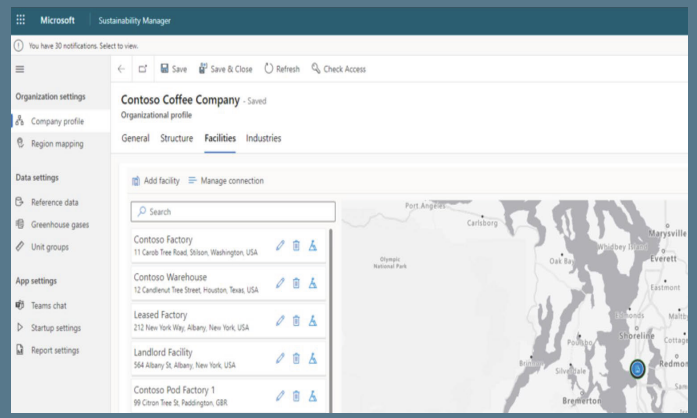
Short-Term Evaluation
Detailed reporting based on every KPI category.

EU Taxonomy

- Sales KPI
- CapEx KPI
- OpEx KPI

TCFD KPIs

- Emissions
- Trends
- Invest-ments



GHG Protocol

All relevant information has been recorded and reported within the Microsoft Sustainability Manager.

HSO will enable you to manage you Emissions

Different new types of values become relevant in a corporate management. Due to this, HSO consults you within your transformation of BI reporting.

Within your BI Reporting we will build an overview based on the already gathered information. The Emissions Score Cards and goals within the Sustainability Manager will be transformed into monetary values.

- HSO will extract EU Taxonomy Information out of the finance systems and transform the data into KPIs.
- TCFD KPIs will be visualized and your direct impact. The combination of your capital expenditure associated with economic activities which are considered environmentally sustainable and become transparent.
- HSO will guide you to a new set of BI Reporting which is presenting an organizations risk and chances through emissions. Through this visualization of data, the emissions can be measured and reduced.

Hso | the results company

Get Started Today

Driving Improvements in Business Performance