Solutions for Regulatory Compliance

Neetin Datar, SAP

April 12th, 2005

Detroit Business Forum
## Agenda

<table>
<thead>
<tr>
<th>Regulatory Compliance</th>
<th>Neetin, SAP</th>
<th>10 min</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sarbanes Oxley</td>
<td>David Nelson, SAP</td>
<td>20 min</td>
</tr>
<tr>
<td>Global Trade</td>
<td>David Robinson, SAP</td>
<td>20 min</td>
</tr>
<tr>
<td>TS16949</td>
<td>Paul Barden, SAP</td>
<td>20 min</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>Neetin, SAP</td>
<td>10 min</td>
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<tr>
<td>Q&amp;A</td>
<td>All</td>
<td>10 min</td>
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Originally published as the cover for the July 6, 1916, issue of Leslie's Weekly with the title:

"What Are You Doing for Preparedness?"
Impact of Regulatory Compliance

- CEO: Business viability and shareholder value at risk
- CFO: Accountability and transparency
- CIO: Meet requirements in a timely and cost effective manner
- CCO/ Legal: Confusion on how to meet an array of regulatory challenges
Volume and Complexity of Legislations Are on the Rise!

GartnerG2 Regulatory Radar Scope (slightly modified)

Data points are for illustrative purposes only
Cost of Compliance - a Hockey Stick Curve

Cost Breakdown
- Patch-work of Applications
- Technology (disparate)
- Staffing increases
- Audit fees
- Legal fees
- Director fees
- Insurance premiums

Cost of SOX Compliance = $1M for every $1B in revenue
Source: Financial Executives International Research
Creating Value From Compliance

Most companies are here

Just get it done approach

Don't just comply, achieve process improvements

Integrated approach
- Gain competitive advantage
- Drive higher stakeholder trust
Sarbanes-Oxley Compliance with SAP Solutions

David Nelson, SAP
<table>
<thead>
<tr>
<th>Section</th>
<th>Requirement</th>
<th>SAP Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>301</td>
<td>Anonymous Complaints</td>
<td>SAP Compliance Management for SOA: Whistleblower Solution</td>
</tr>
<tr>
<td>401</td>
<td>Identify correcting Adjustments and Off-balance sheet transactions</td>
<td>SAP R/3 SAP SEM: Consolidations</td>
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<tr>
<td>404</td>
<td>Assessment of Effectiveness of internal control over financial reporting</td>
<td>SAP Compliance Management for SOA: Management of Internal Controls SAP R/3 AIS and Enhancements, BW SAP SEM: Consolidations, Management Cockpit, Balanced Scorecard, Risk Management, BPS</td>
</tr>
<tr>
<td>409</td>
<td>Rapid disclosure of Material changes</td>
<td>SAP SEM: Consolidations, Management Cockpit, BPS, Risk Management SAP R/3 Schedule Manager, BW</td>
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</table>

Indicates new SAP Compliance Management for SOA solution
### SAP MIC Supports the COSO Framework

- In MIC, **Control Activities** are documented and evaluated at the process level with COSO attributes.
- The other 4 COSO components are documented and evaluated at aggregate levels such as organizational units and are called **Management Controls**.
- Management control assessments and testing and supported using survey-like functionality.

### Sample MIC Management Control Assessment Survey

<table>
<thead>
<tr>
<th>Issue</th>
<th>Mgmt Ctrl/Mgmt Control Group</th>
<th>Mgmt Ctrl Grp.</th>
<th>Rating</th>
<th>Design</th>
<th>Comment</th>
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</thead>
<tbody>
<tr>
<td>Mgmt Control</td>
<td>Management Controls Catalog 00</td>
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<tr>
<td>Monitoring-00</td>
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<td>Balance Scorecard-00</td>
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<td>Information &amp; Communication-00</td>
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<td>SAP Feedback-00</td>
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<td>Risk Assessment-00</td>
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<tr>
<td>Identification of Internal Risks-00</td>
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<tr>
<td>Control Environment-00</td>
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<tr>
<td>Code of Conduct-00</td>
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</table>

**Note:** MIC also supports the COBIT framework.

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SAP Provides Sample Process Documentation

SAP will document several scenarios to serve as process documentation examples, including:

- Process description and flow
- Process – Control Objective – Risk – Control tables for the process
- Over 50 SOA-relevant controls available in the SAP system (R/3, mySAP ERP) and their attributes

**Example Scenario: Purchase to Pay**

*Note: this process documentation is not a “cookbook” - each implementation should be accompanied by careful review of internal controls.*

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Best Practice Documentation Can Be Uploaded

1. Download

2. Conversion to SAP structure (Converter Tool)

3. Conversion to sequential file (SAP Access Conversion Tool)

4. Upload

Customer Pain Point
“I need support for the documentation process, including using best practice templates and upload support for existing control matrices”

Note: Deloitte and PricewaterhouseCoopers documentation is currently available
Document Coverage of Financial Statement Assertions

FS Account Groups

Balance Sheet
  Assets
    Current Assets
      ... Receivables
    Inventory
  Fixed Assets
    ... Liabilities & Equity
      Liabilities
      ... Profit & Loss Statement
        Net Income
          ... Revenues
          ... Cash Flow Statement
          ...

Financial Statement Assertions

- Existence or Occurrence
- Completeness
- Valuation or Allocation
- Rights & Obligations
- Presentation and Disclosure

Process: Order Processing

has a material impact on financial account groups such as Inventory and Revenues

Process Step
PS1 = Control
PS2
PS3 = Control

Control activities within a business process address FS assertions relevant for significant financial statement account groups affected by the process.

Customer Pain Point

“I need to prove to my auditors that the financial statement assertions are covered by effective controls”

- FS Assertion is relevant for an FS Account Group
SAP MIC Offers 3 Flexible Robust Reporting Options

**Customer Pain Point**

“Management needs information about the current state of controls”

**1. 30 “out-of-the-box” Online Reports**

This dashboard was created with existing SAP BW 3.5.3 and MIC functionality; customizing effort is required for implementation.

**2. Executive Dashboards and Custom BW reporting**

**3. Documentation Print**

* This dashboard was created with existing SAP BW 3.5.3 and MIC functionality; customizing effort is required for implementation.
New: Flash Macromedia Dashboarding

Details for selection
Business Benefits of SAP MIC

**Cheaper**
Reduces the cost of communications and administration regarding internal control management

**Faster**
SAP Workflow sends tasks to the appropriate users to get the testing process concluded in time for public filings

**Smarter**
Provides management with reporting about the current state of internal controls including drill-down

**Easier**
Enables a fast cascading of responsibilities via the role and task concept; eliminates navigation, taking user from the start page directly to controls

**Safer**
Centralizes control-related documentation; creates an audit trail using time-dependent controls and processes
Customer Statements

“SAP’s Management of Internal Controls is a very scalable application that provides global support for E.ONs Sarbanes-Oxley 404 project. With more than 100 organizational units and more than 1000 users involved in the assessments of internal controls in our Sarbanes-Oxley 404 project, we rely on SAP’s stability and scalability to ensure that we meet our reporting deadlines.”

Michael Hoefer, Head of IT-Audit 2, E.ON Audit Services

“SAP SOA-MIC is an easy to use documentation tool that Biomet uses for full compliance with the requirements of the Sarbanes Oxley Act 2002. The simplicity to use was confirmed during our first training session held last week. We therefore expect further training costs to be limited.

SAP SOA-MIC workflow functionality used in assessments and testing fully facilitates and supports our approach to the implementation of SOA at Biomet. This workflow and related 'real time tasking' are a great feature of MIC, one that I have not witnessed yet in other tools currently available.”

Christiaan Koreman, Internal Audit, Biomet Merck

“We have found SAP’s Management of Internal Controls to be a useful system that provides a logical structure for organizing our Sarbanes-Oxley documentation. The role and task concept gives process owners the ability to perform role assignment and maintenance without requiring involvement from our IS department. However, the most important benefit of MIC to THQ is that control/process assessments, testing and sign-off activities are scheduled, and then workflow tasks are sent to each responsible person. Since our internal controls were originally documented in Excel, we have been able to take advantage of the upload functionality and transfer this documentation into the system quickly.”

Al Hunt, Director of Internal Audit, THQ
Roadmap: Management of Internal Controls (MIC)

Packaged Solution

- General Availability
  CW 36 / 2004

Note: there will be no further functional enhancements made to MIC in the Packaged Solution; standard maintenance is offered.

mySAP ERP

- mySAP ERP 2004
  Phase II Ramp-up
  CW 48 / 2004
- mySAP ERP 2004
  General Availability
  Q1 / 2005
- mySAP ERP 2005
  Ramp-up
  Q4 / 2005

Integration / Data exchange
- Automated / semi-automated integration of third party provider testing results into MIC, for example for system security controls
- Integration of AIS and MIC
- XML upload for master data into MIC

Audit support
- Segregation of Duties report for MIC authorization

Usability
- Mass assignment of testers
- Customer-defined fields

Note: This functionality is planned but not committed.
While SAP NetWeaver supports Segregation of Duties (SOD) analyses, additional functionality is available via 3rd party applications, including

- SOD analysis, tests and simulation
- Automated testing and execution of SAP Controls
- A large number of these 3rd party applications have SAP-certified interfaces
- In mySAP ERP 2005, MIC will support the automatic and semi-automatic integration of these results from such 3rd party partners as PwC, Deloitte, Approva, Virsa, SecurInfo, Proxyon, and others

Note: This functionality is planned but not committed.
SAP Compliance Calibrator by Virsa Systems

Real-Time, 24/7, Continuous Compliance Solution

- Automated risk assessment for compliance with SOA 404/302
  - Segregation of Duties (SoD) analysis
  - Critical transaction monitoring
  - Automated rule building

- Preventive control for SoD
  - Simulate changes before committing to production

- Manage remediation and mitigation
  - Drill down to root cause with automated alerting of mitigation actions

- Management overview reports
  - Enterprise view of risk/compliance by region, function, or business process
  - Progress tracking of compliance by region, function, or business process
How Can I Test a Control?

You can document the results of your control effectiveness test in MIC, following a pre-defined testing procedure:

- manual re-performance of control or process walk-through
- view a report from your SAP landscape (e.g. Audit Information System)
- view details of violations with a specialized tool (e.g. Virsa Compliance Calibrator)

1) Compliance Calibrator:
   Tester views details about users and roles in violation

2) MIC:
   Tester documents any not-mitigated conflicts as testing exceptions for the particular control
How Can I Remediate Control Weaknesses?

Remediation plans can be documented in MIC, which support **status tracking of remediation activities**. Remediation activities can be actually performed in Virsa Compliance Calibrator as the following:

3) Compliance Calibrator:

Remediation **execution**: adjust role assignment or introduce mitigating controls

4) MIC:

Remediation **documentation**:
- Document remediation process
- Track remediation progress
- List owner, start date and other information
Achieve Trade Compliance with SAP Global Trade Services (SAP GTS)

David Robinson, SAP
Global Issues Summary

Global Sourcing
- Drive for inventory turns
- Smaller, frequent orders
- No margins for error
- Just in time processes
- Sourcing from overseas suppliers

Global Pressures
- Corporations are restructuring with a global focus
- Driving to reach economy of scale from global structuring
- New competitors are moving into global markets

Regulatory Pressures
- More regulations are being drafted and implemented
- Vigilance and enforcement is on the rise
- Governments are requiring more record keeping processes
- Governments are requiring more electronic communication
Benefits Derived with and without GTM Software

- Eased international payment settlement: 62.5% w/ GTM software vs. 18.4% w/o GTM software
- Improved delivery times: 75.0% w/ GTM software vs. 41.8% w/o GTM software
- Increased profitability: 62.5% w/ GTM software vs. 62.5% w/o GTM software
- Improved customer satisfaction: 62.5% w/ GTM software vs. 31.2% w/o GTM software
- Eased total landed cost calculations: 50.0% w/ GTM software vs. 23.4% w/o GTM software
- Increased revenue: 50.0% w/ GTM software vs. 23.4% w/o GTM software
- Better shipment visibility for company execs.: 62.5% w/ GTM software vs. 39.7% w/o GTM software
- Improved carrier contract mgmt.: 50.0% w/ GTM software vs. 27.7% w/o GTM software
- Improved port management: 56.3% w/ GTM software vs. 16.3% w/o GTM software
- Improved carrier selection: 37.5% w/ GTM software vs. 37.5% w/o GTM software
- Improved multimodal scheduling: 37.5% w/ GTM software vs. 22.0% w/o GTM software
- Optimized inventory carriage: 37.5% w/ GTM software vs. 24.8% w/o GTM software
- Better shipment visibility for supply chain partners: 50.0% w/ GTM software vs. 37.6% w/o GTM software
- Improved import/export regulation compliance: 143.8% w/ GTM software vs. 31.9% w/o GTM software
- Improved responsiveness to change: 31.3% w/ GTM software vs. 31.3% w/o GTM software

Source: Aberdeen Group, July 2003
Huge Cost Savings Are Achievable

Manual methods result in high costs:

- **Compliance**
  - $432
- **Document Production**
- **Customs Processing**
- **Quotation**
- **Excess Inventory**

**Drawback**

Source: Estimates based on customer experiences. These figures do not include the financial settlement process & associated costs.

- Cycle time & cost savings online can be up to 86%

Total savings opportunity is over $350 billion annually worldwide.

Manual methods result in high costs:

**Manual Processes**

**Automated Processes**

$62

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## Global Trade Services ➔ Benefits

<table>
<thead>
<tr>
<th>Tangible Benefits</th>
<th>Key Enablers</th>
<th>Potential Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Penalties</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avoid restricted party, materials, embargoed country, and tariff violations</td>
<td>Automated, integrated, updated checks on shipment requirements</td>
<td>5-15%</td>
</tr>
<tr>
<td>Avoid legal fees</td>
<td>Alerts to potential violations</td>
<td></td>
</tr>
<tr>
<td><strong>Process Costs / Fees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce process time in Screening and Licensing</td>
<td>Reduce data errors from manual processes</td>
<td>20 - 35%</td>
</tr>
<tr>
<td>Reduce brokers fees</td>
<td>Automated, integrated functionality</td>
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<tr>
<td>Reduce customer service time</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Shipping Time</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease inventory from reduced in-transit time and variability</td>
<td>Reduce time in-process</td>
<td>2 - 10%</td>
</tr>
<tr>
<td>Reduce “lost orders”</td>
<td>Reduce errors and delays</td>
<td></td>
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<tr>
<td>Increase visibility</td>
<td></td>
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</tr>
<tr>
<td><strong>IT / Systems</strong></td>
<td></td>
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</tr>
<tr>
<td>Eliminate redundant systems</td>
<td>Reduce data errors from manual processes</td>
<td>50 - 100%</td>
</tr>
<tr>
<td>Reduce integration costs</td>
<td>Automated, integrated functionality</td>
<td></td>
</tr>
</tbody>
</table>

### Strategic Benefits
- Open additional markets and sources of supply
- Reduce risk of inadvertent illegal activity
- Increase stability and reliability of global supply chain
What is SAP Global Trade Services (SAP GTS)?

SAP Global Trade Services manages all complexities of international trade including full regulatory compliance, interactions with customs and management of risk while trading on a global basis. It consists of separate modular components that enable companies to improve their supply chain and comply with international regulations.

- Compliance
- Customs
- Risk Mgmt

More than Export Control

Exports

More than Import Control

Imports
### Yesterday
- Each business unit with its own ERP systems and Foreign Trade implementations
- Data is spread out in many systems
- Relatively difficult to change
- Higher IT maintenance costs
- Standardization of compliance process difficult

### Today
- A common enterprise-wide SAP GTS implemented
- Data is shared
- Collaboration knowledge is shared across systems
- Relatively easier to change
- Relatively lower IT maintenance costs
- Standardization of compliance process possible

---

**Internal systems of the various business units of an enterprise**

**External systems:** Distributors, government agencies, freight forwarders, etc.
SAP GTS powered by SAP NetWeaver

SAP Global Trade Services

Compliance Management
- Sanctioned Party List Screening
- Export Control
- Import Control

Customs Management
- Product Classification
- Duty Calculation
- Trade Document Service
- Customs Communication Service

Risk Management
- Trade Preference Processing
- Restitution Handling

Foreign Trade Relevant Processes
- mySAP SRM
- mySAP CRM
- mySAP SCM
- SAP R/3
- 3rd Party

EDI-Messaging, XML-Interface

SAP NetWeaver™

PEOPLE INTEGRATION
- Enterprise Portal

INFORMATION INTEGRATION
- Business Intelligence

PROCESS INTEGRATION
- Business Process Mgmt.

APPLICATION PLATTFORM
- Adobe Forms, Multiple Languages, Unicode enabled, J2EE/ABAP

Biz Partner
Data Provider
Authorities
Broker
NAFTA – Background Information

NAFTA – Facts & Figures

- World's largest free trade area
  - 1/3 of all North American growth created from the NAFTA agreement
  - 180 Billion US$ Trade with NAFTA between US and Canada 2004
    - US to Canada: 60 Billion US$
    - Canada to US: 120 Billion US$
- Launched in January 1994
- Original members: Canada, US and Mexico
  - Anticipated to expand within 5 years to include other countries within the Americas

Purpose of NAFTA

- Allow for elimination of duties
  - Levied on goods originating in a member country (of the NAFTA territory)
- Strengthen competitiveness of manufacturers in the NAFTA region
Business Challenges associated with NAFTA

Detailed certificate of origin for NAFTA claim required

Improper record keeping may lead to costly fines and penalties

Regional value content calculation and analysis is complex

Requesting and maintaining written vendor declarations is cumbersome and time-consuming
Vendor Declaration
Gain time savings through web-based supplier self-service

Solicitation process automated through Web-based supplier self-service

- Vendors update declarations to avoid double entry
- Reduces time and errors
- Vendor declarations (certificates of origin) are managed and archived in SAP GTS
**Preference Determination**
Accurately determine the NAFTA preference criteria

**NAFTA preference rules and product compliance determination**

- SAP Risk Management manages and determines the NAFTA preference criteria for your products based on
  - General Rules of Origin used to determine whether or not a product is eligible for NAFTA preferential treatment
  - Specific Rules of Origin used to determine if a foreign material becomes originating in the NAFTA territories
- SAP Risk Management enables determination of preferential origin across plants
- SAP Risk Management allows to support strategic sourcing decisions
  - by comparing the preference status of end products depending on whether the supplier of input material is inside NAFTA as opposed to a supplier outside NAFTA
**Issuing declarations to your customers**

- Company itself assumes the role of vendor, and makes a vendor declaration (certificate of origin) available to its customer.
- Customs declarations can be issued based on the result of the preference determination.
- Cockpit provides overview and transparency with all issued customer declarations.
- Multiple set of forms including:
  - Issue a customer declaration per customer, product and agreement
  - Revoke a customer declaration
  - Issue a substitution customer declaration
Key Facts & Figures

- SAP GTS is *the* leader in global trade solutions market
- 160+ customers, including some of the business world's most well-known firms
- Replacing niche vendors at global corporations
- Significant traction in many industries
- Rapid implementation (weeks)
SAP Enables ISO/TS 16949
"Process Approach" to the Quality Management System

Paul Barden, SAP
The application of a common set of attributes for each of the major processes and interactions in the organization: Management, Resources, Product Realization and Measurement and Improvement.

Figure 6. Process Approach – ISO/TS 16949:2002 Process Attributes
Continuous improvement of quality management system

- ISO TS16949 demands APQP methodology

Legend:
- Value generation
- Information flow
PLM: Advanced Product Quality Planning (APQP)

Business challenge for Automotive Suppliers

- Ensure 100% first-time quality of own and suppliers products

Solution

- Collaborative, web-based quality planning and management tool
- Industry-standard work-product support
- Document management capabilities
- Links to internal and extended enterprise for quality documents and plans

Business benefits

- Increased collaboration and sharing of quality-management cost and responsibilities
- Industry-standard compliance
- Maintain quality rating with customer
Product Development with mySAP PLM

- Supports the complete product development process with cProjects
- Flexible adaption of a phase model according to APQP methodology
- Control Plan according to TS16949
- Risk priority number
- Resource planning and scheduling
- Object links to other systems

“We needed a PLM solution that would truly allow us to increase our levels of collaboration, especially in a globally expanding environment. However, we wanted to leverage our existing PLM solution. That’s why cProjects worked out so well for us. We were able to integrate the features we needed into our existing solution. The cost of implementation as well as the time needed to see real results were minimized and a return on investment was very quickly achieved.”
(Source ISE Innomotive Systems Europe GmbH)
APQP Phase Approach – An Example

1) Concept Phase
- RFQ / Business case
- Development Plan
- Regulations (Laws, Standards, Objectives)
- Continuous Improvement

2) Product Design
- Design FMEA
- Preliminary Bill of Materials
- Specification
- Design collaboration
- Control Plan (Prototype)

3) Process Design
- Process FMEA
- Routing creation
- Process flow diagram
- Statistical process Control (SPC)
- Control plan (Model)

4) Validation
- Planning and production under real-life conditions
- Control plan for series production and inspection plan
- Process audit
- Production part approval process (PPAP)

5) Product Launch
- Quality Inspections during Production
- Requalification tests
- Process optimization

Define type of APQP
Review/Approval
Review/Approval
Review Pre-Production Release
Review SOP Release
Audit Management - The Process

Audit Cycle

- Planning
- Processing
- Valuation
- Corrective and Preventive Actions
- Documentation
- Evaluation

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Audit Management with mySAP PLM

- Helps you fulfill legal requirements according to various standards (e.g. TS16949; ISO 9000; ISO 19011; ISO14000;...) – industry independent

- Applicable to all audit types

- Mobile application

- Consistent, transparent and up-to-date data company-wide

- World-wide access via Internet

- Multi-lingual support

- Proactive tracking of corrective actions

- Easy reporting using Smartforms and document management

- Graphical evaluation of audit data
## Audit Management – A Collaborative Process

<table>
<thead>
<tr>
<th>Value Potential</th>
<th>Business Benefits</th>
<th>Quality Officer</th>
<th>Auditor</th>
<th>Audited Party</th>
<th>Business Benefits</th>
<th>Value Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 50% reduced travel costs</td>
<td>Company-wide coordination of audit programmes</td>
<td>Defining and approving the audit programme</td>
<td>Audit planning and scheduling</td>
<td></td>
<td>Workflow-based approval and change processes</td>
<td>Up to 80%</td>
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<td></td>
<td>Transparent, company-wide audit scheduling</td>
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<td>reduced time for approval process</td>
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<td>Up to 40% cost reduction on the audit rework + admin.</td>
<td>Mobile processing, no manual data transfer</td>
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<td>Audit processing on-site</td>
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<td>Up to 50% reduced time on tracking actions</td>
<td>Definition of actions incl. deadlines and responsibilities</td>
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<td>Assigning corrective or preventive actions</td>
<td>Compliing corrective actions</td>
<td>Benchmark for suppliers</td>
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<td>Company-wide monitoring of outstanding actions</td>
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<td>Benchmark for products</td>
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<td>Up to 80% cost reduction for document distribution</td>
<td>Reduction of manual efforts in generation and distribution</td>
<td></td>
<td>Monitoring corrective actions</td>
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<td>Benchmark for processes</td>
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<td>Up to 60% potential savings in process optimization</td>
<td>Benchmarking for selected audit objects and determination of best practices – company-wide</td>
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<td>Generating and sending the audit report</td>
<td>Reviewing audit report</td>
<td>Transparent Information flow and possibility to react</td>
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Planned Processes in Quality Control

**Events**
- Goods movements
- Orders
- Deadline Monitoring

**Inspection Lot**
- Quality Inspection stock
- Samples
- Skip lot
- Shop papers

**Inspection**
What are the inspection results?

**Decision**
- Usage decision
- What happens with the product?

Supply Chain
Certificates of Analysis

- Individual certificate profiles
  - Content and scope (characteristics)
  - Data origin
  - Reference object (material/customer)
- Multi-level certificates
- Archiving option
- Internet options
- Electronic quality data interchange (QDI)
Test Equipment Management

- Master records for equipment or production resources and tools
- Gauge repeatability and reproducibility (GR&R)
- Calibration planning
- Calibration inspection
- Results history and trend analysis
- Where-used list for test equipments
Problem Management with mySAP PLM

- Procurement
- Production
- Sales
- Service

Complaint against vendor

Problem

Notification
Defect
Damage

Customer complaint

Internal problem message
The disconnect between the Factory and the Enterprise needs to be addressed to meet these challenges.

What's happening during every shift?
- Material availability and consumption
- Capacity availability and utilization
- Schedule changes
- Product Genealogy tracking and QM

What's happening at each line?
- Cycle Times / Operating Efficiencies
- Machine Breakdowns / Unplanned Downtime
- Quality Index
- Predictive Maintenance requirements

How are we hitting our targets?
- Total Cost of Production and Variance
- Labor and Resource Productivity
- Order Fill Rates and Cycle Times
- Fixed and Variable Asset Utilization

* Shop Floor Automation and Control Systems
The Manufacturing Intelligence Dashboard for Plant Managers

- Exception detection via alerts
- Configurable views by role and individual
- My favorites
- Pertinent KPI watch list, with trends and drill downs
## Agenda

<table>
<thead>
<tr>
<th>Topic</th>
<th>Speaker</th>
<th>Duration</th>
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<tbody>
<tr>
<td>Regulatory Compliance</td>
<td>Neetin, SAP</td>
<td>10 min</td>
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<tr>
<td>Sarbanes Oxley</td>
<td>David Nelson, SAP</td>
<td>20 min</td>
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<tr>
<td>Global Trade</td>
<td>David Robinson, SAP</td>
<td>20 min</td>
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<tr>
<td>TS16949</td>
<td>Paul Barden, SAP</td>
<td>20 min</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>Neetin, SAP</td>
<td>10 min</td>
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<tr>
<td>Q&amp;A</td>
<td>All</td>
<td>10 min</td>
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From Burden to Competitive Advantage to Value Creation

- Just get it done approach
- Don’t just comply, achieve process improvements
- Integrated approach
  - Gain competitive advantage
  - Drive higher stakeholder trust

Stakeholder Value vs. Business Performance
What Are the Tools to Manage Compliance?

- Compliance apps
- Unified business applications
- Security Management
- Alerts
- Compliance dashboard
- Records management
- Archiving
- Reporting
- Workflow

Common requirements across all regulatory requirements
A Common Platform for Better Governance

Stakeholders

Monitoring

Board

Disclosure

C-level Executives

SAP and Partner Regulation Specific Composites

SAP NetWeaver

People Integration
Compliance Executive Dashboard, Scorecards, Alerts

Information Integration
Knowledge Mgmt, Records Mgmt, Archiving, Reporting

Process Integration
Business Process Automation, Monitoring, Workflow

Auto ID Infrastructure

Security Mgmt

ERP

SCM

SRM

CRM

Legacy

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Deployment Option: **Extend via Composite Applications**

- **Enable** information workers and decision makers
  - Enable and automate user-centric business processes

- **Combine** infrastructure components
  - Transactions
  - Analytics
  - Documents
  - Collaboration

- **Reuse** existing assets
  - Reuse, integrate and orchestrate existing functionality

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Deployment Option: Replace/Upgrade/Consolidate

Innovate while Containing Costs

- Establish a common architecture across your enterprise
- Giving new levels of flexibility and innovation within an organization
Benefits of a Common Platform for Compliance

An integrated approach helps:
- Gain process efficiencies
- Bolster data accuracy
- Eliminate delays in reporting
- Lead with better insight
- Management credibility
- Increase corporate reputation
- Enhanced stock performance

“The benefits will come in the long haul, with greater credibility in the marketplace and higher stock price multiples.”

-- William H. Donaldson, Chairman, SEC, December, 04
Key Takeaways

You must act
- No way around it
- Risks are too high

You must act now
- Hard deadlines exist

You must do it right!
- Assess risks
- Think products (and processes), not projects
- Leverage and protect past IT investments
- Lay the foundation to meet the need for greater transparency and shareholder value

Turn Regulatory Burden Into Competitive Advantage