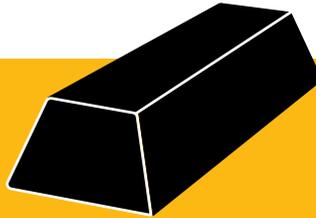
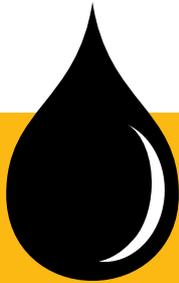


# Optimize Commodity Pricing and Manage Commodity Risk



**Drive excellence in commodity  
management across processes**

# Drive excellence in commodity management across processes

In today's world, effective commodity management has never been more critical to profitability. Companies need the best pricing as they buy or sell commodities while managing overall commodity risk. Commodity management solutions from SAP provide an integrated offering, resulting in [one version of the truth](#) that supports an environment of collaborative planning and management.

Nearly all manufacturing-related companies interact with the broader commodity market. Whether your company produces commodities for sale to the market, buys and uses commodities to make products, or does both, the discipline of commodity management is extremely important to your business success.

You need to manage short- and long-term pricing, profitability, and risks related to your commodity purchases and sales. Commodity management solutions from SAP provide

ways for you to manage your commodity risk by supporting business processes impacted by commodities in the areas of sales, procurement, and risk management. The solutions are part of the SAP® Business Suite applications. They enable you to manage your commodity risk through integrated processes designed specifically for your needs, and to perform timely and profitable commodity purchasing, selling, and hedging.



# Integrate business processes to derive benefits

## Integrate business processes to derive benefits

Get the visibility you need

Drive commodity procurement excellence

Drive commodity sales excellence

Drive commodity risk management excellence

Develop processes for effective data management

Like you, many companies are searching for ways to eliminate spreadsheets, produce timely reports on commodity positions and exposures to market prices, increase transparency, and bring operating groups together with a common goal. That goal is to manage a significant component of the company's daily business as efficiently as possible. You can now do that with commodity management solutions from SAP. These solutions provide you with standard, integrated software for procurement, sales, and treasury tasks and functionality for invoicing, complex commodity pricing, logistics, hedge management, and risk reporting.

You can automate your current manual processes to streamline the workflow, reduce errors, and save time. Moreover, you can transform your business processes to reflect best practices based on current market conditions and techniques.

Automation can help you streamline business processes across multiple departments.



## Get the visibility you need

Integrate business processes to derive benefits

### **Get the visibility you need**

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Drive commodity sales excellence

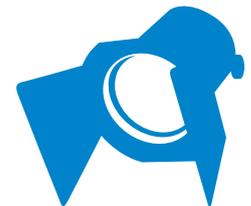
Drive commodity risk management excellence

Develop processes for effective data management

With a clear view of your commodity portfolio, you are able to create and support an environment of collaborative planning and management. The commodity management solutions provide you with transparency and a 360-degree view of your business. You have the ability to manage your commodity risk on a real-time basis based on your unique risk approach.

What's more, you have the power to establish the criteria for how you manage commodity risk. You can create and define a standard view of commodities across multiple disciplines. This view provides you with the flexibility to manage commodity risk in the manner that fits your risk profile.

Manage to the level of risk with which you are comfortable.



# Drive commodity procurement excellence

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Get the visibility you need

## **Drive commodity procurement excellence**

Drive commodity sales excellence

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Develop processes for effective data management

With the SAP Commodity Procurement application, you can improve the efficiency in how you procure commodities. The extended enterprise resource planning (ERP) functionality for advanced commodity pricing on contracts, and support for provisional, differential, and final invoices, will automate your process. SAP Commodity Procurement enables a streamlined way to create invoices before full delivery and full payment. Treasury integration allows you to transfer accurate commodity exposure positions to risk management in real time.

The simplified process is less error prone due to one central application used to view all deals that need to be invoiced and which can pull data from multiple sources. Invoices can be sent as soon as a provisional price is known, and incoming invoices can be verified on your timetable. Because the commodity pricing engine fully integrates with sales, distribution, and procurement (materials management) functions in the SAP ERP application, the SAP Global Trade Management application, and the SAP ERP Financials solution, events-based pricing is possible.

Eliminate “out of system” calculations and post clear, concise invoice receipts for each purchase with SAP Commodity Procurement.



# Drive commodity sales excellence

Integrate business processes to derive benefits

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Drive commodity procurement excellence

## **Drive commodity sales excellence**

Drive commodity risk management excellence

Develop processes for effective data management

With the SAP Commodity Sales application, you can create the foundation for the complete logistical and settlement processes that enable you to sell your commodity and commodity-related products. The solution gives you extended ERP functionalities to handle commodity-based contractual pricing; provisional, differential, and final invoicing; and integration with treasury to transfer commodity exposure positions for risk management.

Get a firm handle on complex commodity pricing, like average pricing over multiple weeks based on indexes, with the SAP Commodity Sales application.



# Drive commodity risk management excellence

Integrate business processes to derive benefits

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Drive commodity sales excellence

## **Drive commodity risk management excellence**

Develop processes for effective data management

By implementing the SAP Commodity Risk Management application, you can assess the price risk of commodity positions and handle the financial transactions used to hedge this risk. With the solution providing for deal capture and processing of commodity-based financial instruments, supporting hedge accounting for derivatives, and allowing for storage of commodity-based transactional activity, you can generate comprehensive

reporting of your commodity portfolio. The added benefit of this solution is that the decision maker has the necessary information to evaluate and execute the appropriate hedge for your company. You can then focus on the economic management of your company and understand the related impact on accounting and regulatory reporting.

Gain confidence in commodity risk hedging and reporting with SAP Commodity Risk Management.



# Develop processes for effective data management

Integrate business processes to derive benefits

Get the visibility you need

Drive commodity procurement excellence

Drive commodity sales excellence

Drive commodity risk management excellence

**Develop processes for effective data management**

When you implement commodity management solutions, you gain access to a consolidated solution where all commodity-based transactions follow a standard structure that minimizes time for audit and increases data integration quality. With these solutions, you can create core operating reports and use the SAP BusinessObjects™ portfolio of solutions to produce custom reports that reflect your

business requirements. The solution provides worldwide management across multiple business units to enable one source for transactional data, market prices, and daily results. The secure processes of data management give senior-level executives confidence in knowing the results are accurate and audit ready.

Custom reports let you see the results that matter to you.



**Realize the expanded industry applicability**

# Realize the expanded industry applicability

Commodity management solutions from SAP serve commodity producers such as oil, mining, and agriculture; commodity converters such as chemicals and oil and gas refiners; and commodity consumers such as consumer products, automotive, and high-tech companies.

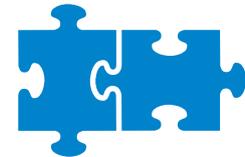
The solution will help you reduce volatility in raw material prices and obtain better execution pricing. You can also realize the percentage of volumes hedged for longer maturities and increase the number of hedged commodities and percentage of hedged commodity spend. Commodity producers will have less

volatility in revenue stream, better pricing, and will achieve a higher percentage of sales hedge.

You will also be able to keep commodity price risk at a minimum, globally manage your net open commodity position while minimizing the number of missed hedged transactions, and minimize usage of working capital.

By using integrated solutions from SAP, you can effectively manage commodity risk on a timely basis, resulting in clearer insight into company profit streams for multiple segments.

You deserve a comprehensive commodity management solution.



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Objectives

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Solution

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Benefits

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**Quick Facts**

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**Summary**

With commodity management solutions from SAP, you can optimize commodity procurement, sales, and risk management processes. These integrated SAP® solutions support a consolidated, real-time view of commodity risk across lines of businesses so you can react quickly to market changes. They also provide process transparency so you have a complete view of commodity risk – a single version of the truth.

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**Objectives**

- Increase access to timely market data and lower the risk of over- or underhedging
- Integrate logistics and finance systems
- Provide real-time accurate data to formulate appropriate risk management solutions
- Automate calculations and processes to improve pricing, settlements, and reporting

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**Solution**

- Direct transfer of sales and purchases data to the treasury and risk management solution
- Rules for physical commodities and a calculation engine that fully complements the solution
- One version of the truth on a real-time basis

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**Benefits**

- Commodity business decisions fully integrated with the physical supply chain, financial risk management, and accounting
- Improved authorization concepts, change-history tracking, and legal and regulatory compliance
- Real-time data collection and reporting
- Correct pricing and invoicing and the flexibility to model new pricing

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**Learn more**

To find out more, visit us online at [www.sap.com/commodity](http://www.sap.com/commodity).

