SAP GTS Virtual Roadshow

Wednesday, 21 October 2020

pwc

Opening

Simeon Probst
Partner, Customs & International Trade
PwC Switzerland

Simeon Probst
Partner, Customs &
International Trade
PwC Switzerland

Agenda for today

01	Opening – Simeon Probst, PwC
02	SAP introduction to the new world – Axel Egger, SAP
03	Hot topics: Brexit – Kai Seela, SAP
04	Hot topics: APAC and Americas – Alain Schnetzer, PwC
05	Global trade analytics – Krisztina Nagy, PwC
06	SAP GTS Roadmap – Kai Seela, SAP
07	Cloud solutions for SAP GTS – Frank Klischat, PwC
08	Q&A

Your presenters

Simeon Probst
Partner, Customs & International Trade
PwC Switzerland

Axel Egger
Solution Advisor Expert GRC & Security Solutions MEE
SAP Switzerland

Kai Seela
Solution Manager
SAP Germany

Alain Schnetzer
Director, Customs & International Trade
PwC US

Krisztina Nagy
Customs & International Trade
PwC Switzerland

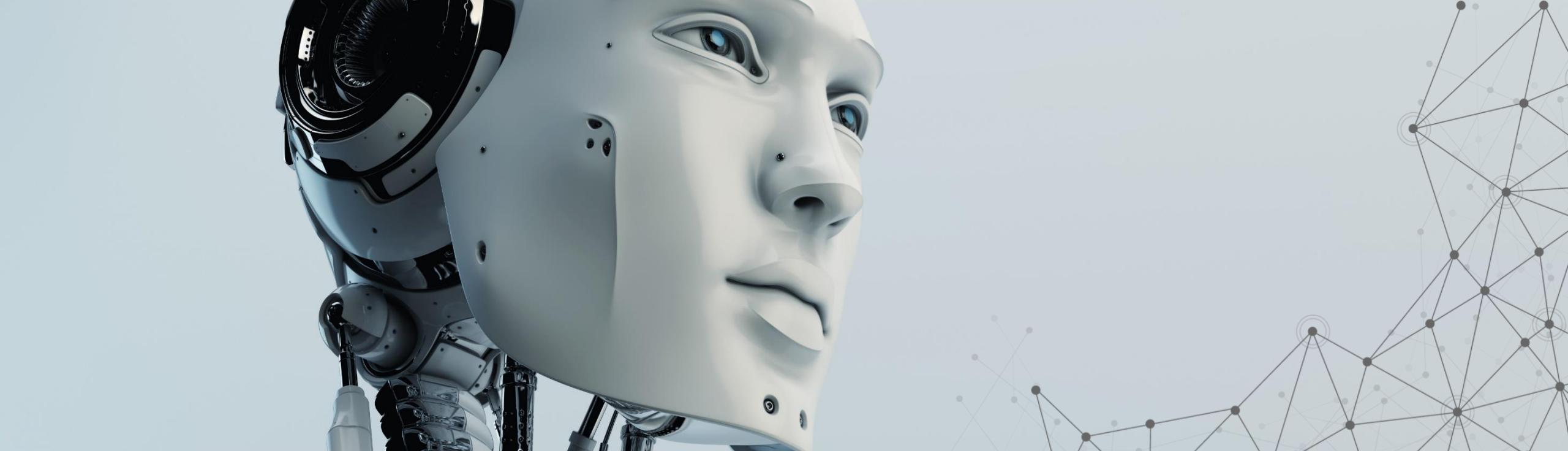
Frank Klischat
Customs & International Trade
PwC Germany

SAP introduction to the new world

Axel Egger
Solution Advisor GRC & Security Solutions MEE
SAP Switzerland

Axel Egger
Solution Advisor Expert GRC & Security Solutions MEE
SAP Switzerland

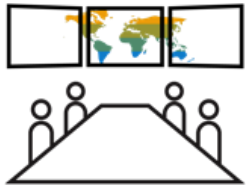
pwc



SAP S/4HANA
Building the Intelligent Enterprise with SAP Global Trade Services

THE BEST RUN SAP®

We are moving from integration of applications to integrated processes



SAP Analytics Cloud

- Board objectives
- Management decisions

Be profitable and sustainable

SAP S/4 HANA

- Programs and performance
- Secure supply chain planning
- Reduce days to deliver

Reduce production costs

SAP Global Trade Services

- Import, export, sanctioned party list, customs, trade preferences
- Trade and customs legal changes by country, process
- Amount import or export tax overpaid? – open issues by country, process
- Wait time due to pending customs or trade approvals by country, process

Single, agile data and information source for global trade activities

External World

- Risk of doing business with unfamiliar business partners
- Impact of changing tariffs and duties on profitability
- New trade requirements with increasing complexity raising compliance concerns

Market trends, political, social, climate and economical changes

SAP’s Unique Formula for Intelligent Finance and Risk

Real-Time

Finance and Risk ‘Mission Control Center’

Insight, Agility and Governance

Steering effectiveness

Analysis and Prediction

Integrated value creation cycle along the value chain

Process efficiency

Productivity

Automated processes with embedded AI and Analytics

Continuous Compliance

Assurance

Value protection 24/7 compliance

Business Foundation

A Single Source of Truth

- Common Virtual Data Model
- Universal Journal (Central Data Storage)
- Integrated Data Platform

SAP S/4HANA Momentum – August 2020

14,600+

SAP S/4HANA Customers

7,400+

Live Customers*

44%
Faster order lead times

45%
Increase in procurement efficiency

50%
Reduction in billing process time

76%
Reduction in database size

75-80%
Increase in employee productivity

80%
Improvement in ad hoc reporting capabilities

85%
Accelerated calculation time for MRP

90%
Planning efficiency improvement

* Includes Core ERP and LOB Scenarios

Hot topics: Brexit

Kai Seela, Partner, Solution Manager
SAP Germany

pwc

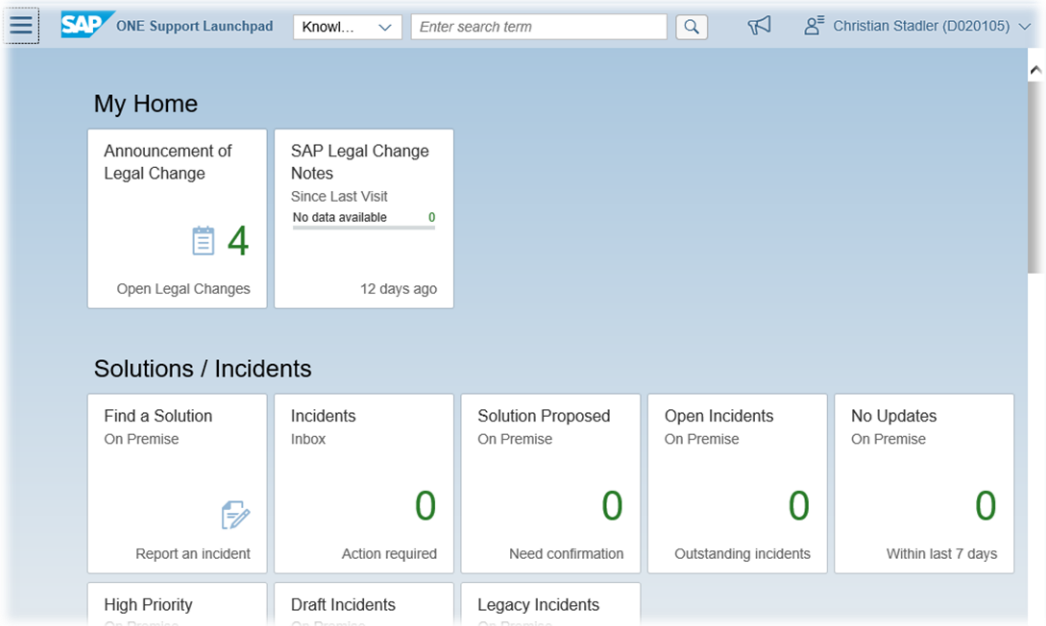
Kai Seela
Solution Manager
SAP Germany

Management of Legal Changes

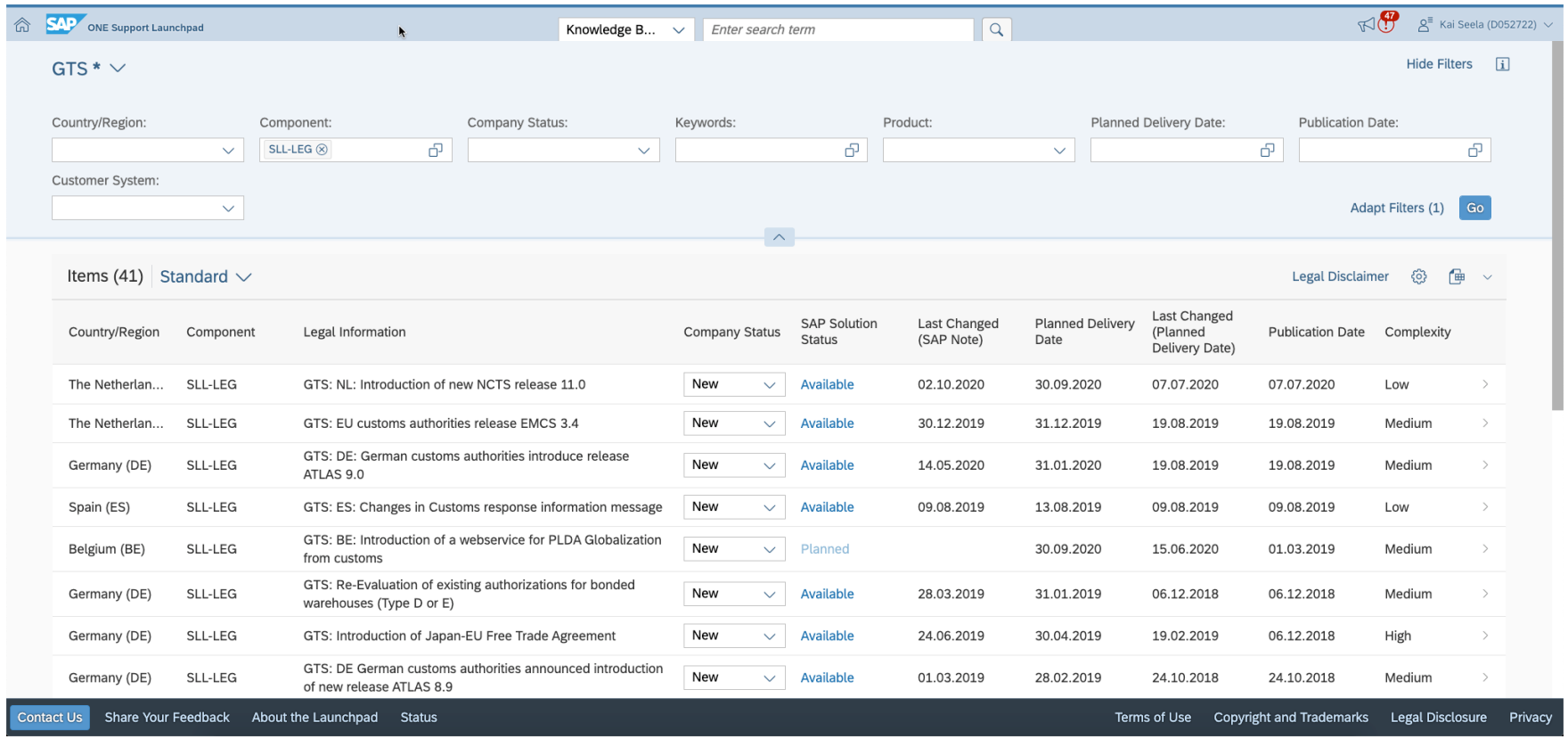
Legal Changes

- ONE Support Launchpad
- Announcement of legal changes
- SAP Legal Change Notes
- Subscription available
- Assign to favourites

launchpad.support.sap.com

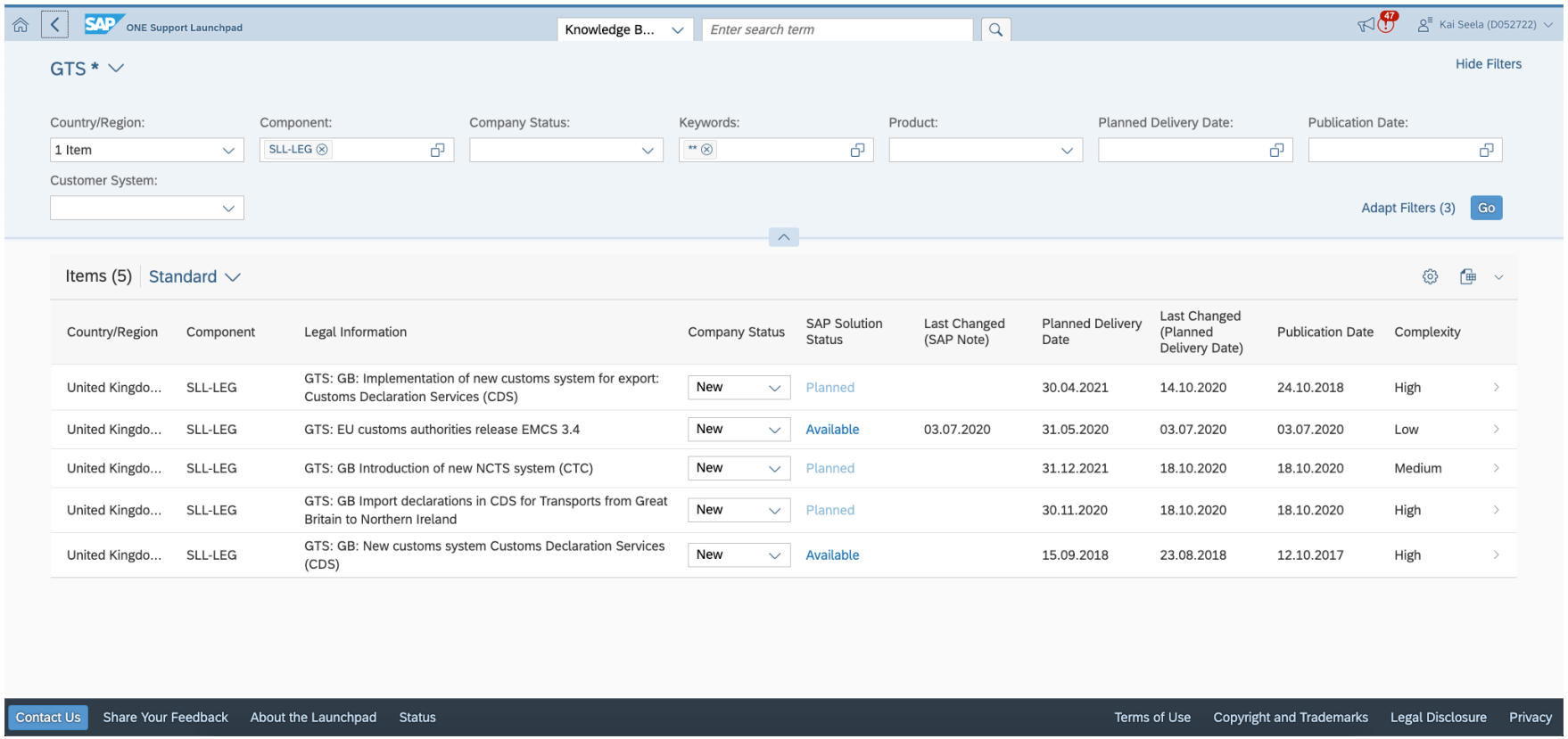


One Support Launchpad – Legal Changes in the area of SAP GTS



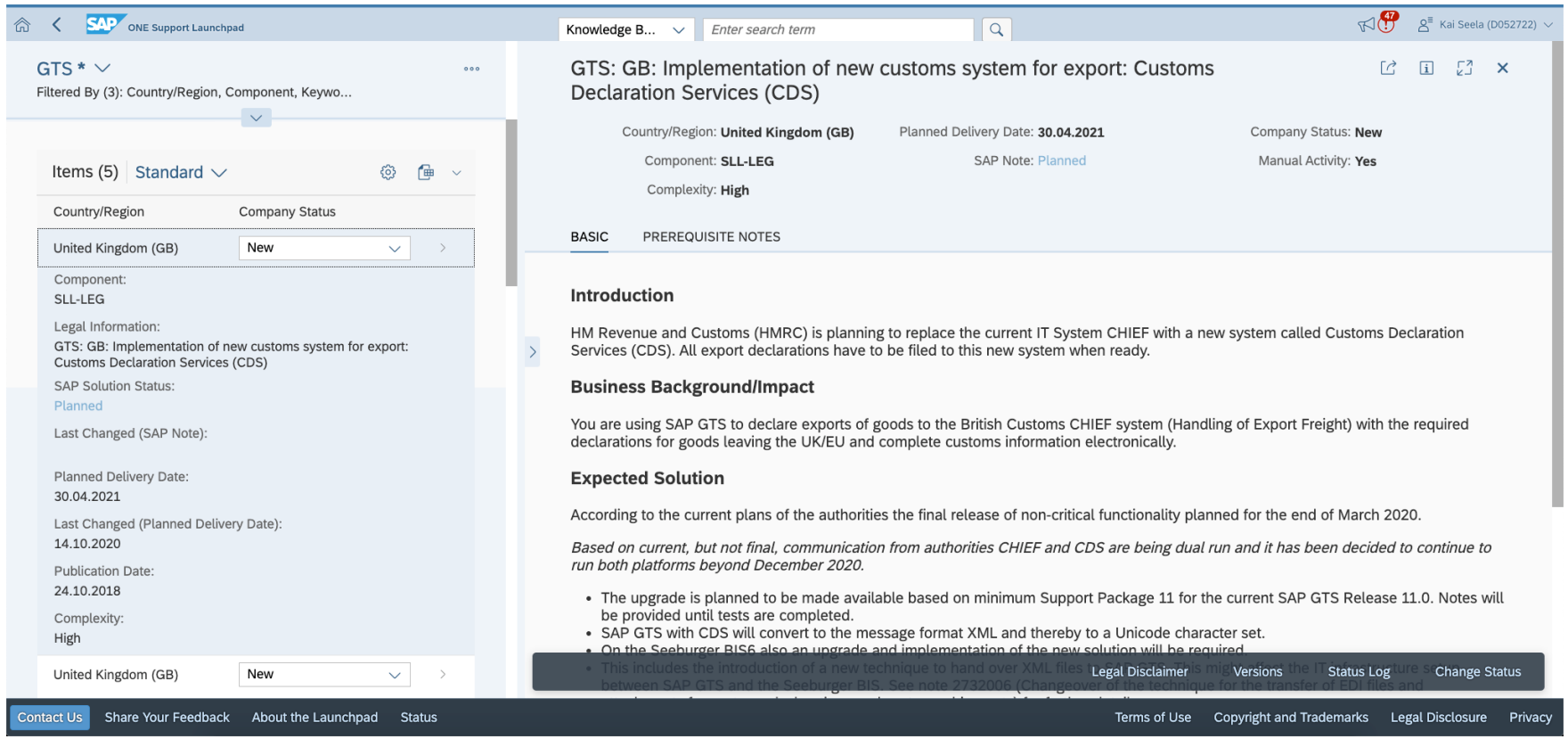
SAP Global Trade Services
Management of Legal Changes

Notes with UK relevance

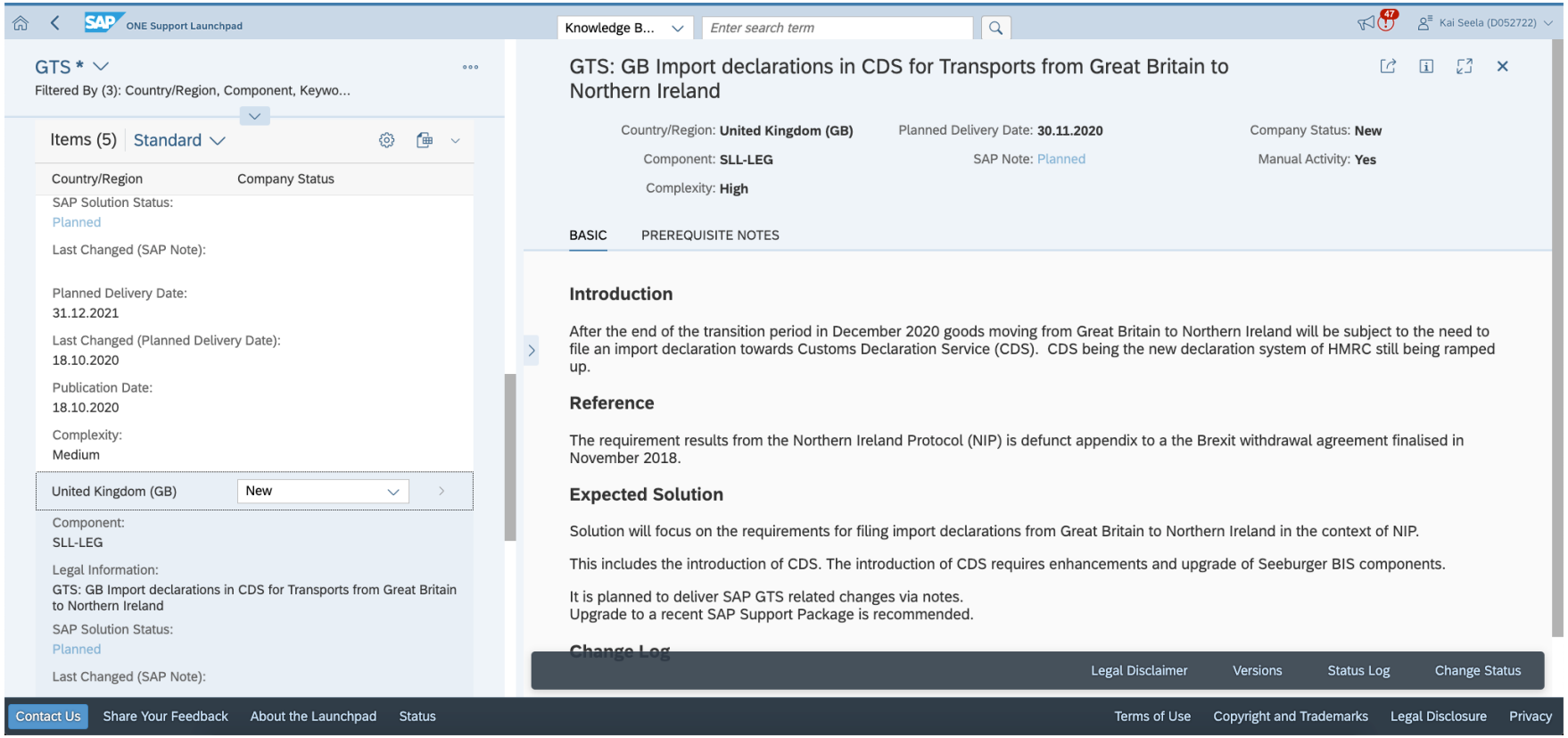


SAP Global Trade Services
Management of Legal Changes

Brexit – CDS (Customs Declaration Services)



Brexit – Import declarations in CDS



SAP Global Trade Services

Management of Legal Changes

Brexit

2546068 - GB_UK Withdrawal from the European Union (Brexit)
https://launchpad.support.sap.com/#/notes/2546068
2749671 - BREXIT: Guidelines in case of "no deal“
https://launchpad.support.sap.com/#/notes/2749671

SAP GTS
2912027 - SAP GTS: Withdrawal of the UK from the EU (Brexit) - recommended actions for transition period
https://launchpad.support.sap.com/#/notes/2912027

Brexit

Current Status (20.10.2020) – 72 days ahead of Brexit

- The UK and EU are still negotiating the Free Trade Agreement (FTA). The UK had set a deadline of the 15th October to conclude this (obviously this has passed) whereas the EU have said the end of October (agreement on fishing quota)
- However, on Friday UK did announce that trade talks were “over” and to prepare for an Australian type deal and face to face talks were cancelled
- Government is preparing a letter to be sent to 200,000 organisations trading with the EU member states explaining new tax and customs regulations
- No-Deal scenario likely
- SAP still carry on monitoring the political landscape

Hot topics: APAC and Americas

Alain Schnetzer, Director, Customs & International Trade
PwC US

Alain Schnetzer
Director, Customs & International Trade
PwC US

pwc

Agenda

01 China - EU Trade Relationships

02 China - U.S. Trade Relationships

03 China - Unreliable Entity List

04 Update APAC

05 U.S Trade Relationships

China - EU Trade Relationships

Objective: EU - China 32nd round of negotiations on a China-EU investment deal
Timeline: Currently under negotiation and to be completed by the end of 2020

Observations

- China limited growth in terms of GDP and risk observed by Chinese government of U.S. decoupling
- Market access is a privilege and not a right
- Continuous development and reinforcement of China's 2025 strategy
- Negotiations with the EU may not be compatible with WTO obligations
- Stronger collaboration in other areas (security, politics, economy…) may rely on a successful trade and investment deal

What does that mean for you

- Threat to market access and local presence
- Threat to fair competition
- Additional controls in regard to labour and workforce
- Continuous focus on joint business relationships

China - U.S. Trade Relationships

Objective: Changes to the EAR to restrict use of U.S. technology
Timeline: Entered into force on 6/29/2020

Observations

- U.S. sanctions still in place
- Extension to export controls and license requirements with China, Russia and Venezuela to prevent U.S. technology to be used in military applications
- Introduction of additional control on military end-user and not only military end-use
- Extension of the end-use definition to “any item that supports or contributes to the operation, installation, maintenance, repair, overhaul, refurbishing, “development,” or “production,” of military items”, compared to “development” and “production” only
- Applies mainly to ECCN categories of materials processing, electronics, telecommunications, information security, sensors and lasers, marine-related items, and aircraft and propulsion.
- Integration of EEI export filing for low value shipments (below $2,500) and ECCN

What does that mean for you

- Removal of some license exceptions
- Increased scrutiny for shipments containing U.S. origin materials, products or technology
- Increased need for a U.S. re-export and de minimis determination

China - Unreliable Entity List

Objective: Introduction of Chinese Unreliable Entity List to protect Chinese domestic investment
Timeline: Entered into force on 9/19/2020

Observations

- Released by the Ministry of Commerce of China on September 19, 2020, effective immediately as a result of the Wechat and TikTok bans.
  - Only foreign entities and individuals (excluding foreign invested enterprises incorporated in China) may qualify as “unreliable entities”.
  - Unreliable defined as “acting against normal market principles to suspend normal transactions with or take **discriminatory measures** against Chinese companies, entities or individuals, causing material damages to the legitimate interests of such companies, entities or individuals”.
- Criteria and procedure for an addition or removal not published
- Extra-territorial application unclear
- Penalties for violations not published

Impact

- Prohibition or restriction on all China-related import and export activities
- Prohibition or restriction on investment in China
- Travel bans, visa restrictions, financial penalties or any other measures that the authority deems as necessary.
- Update to contractual agreements to reflect “force majeure” in case of conflict of interest between U.S export controls and China Unreliable Entity List

Update APAC

Observations

- China pursues negotiations with Cambodia on $10b FTA
- Canada drops negotiations of FTA with China despite being 2nd largest market after the U.S.
- Vietnam is the EU's second largest trading partner in the Association of Southeast Asian Nations (ASEAN) after Singapore, with trade in goods worth €45.5 billion in 2019. The Vietnam - EU FTA entered into force on August 1, 2020
- Risk of decoupling (transition from China to Vietnam, Malaysia and Eastern Europe due to tariffs)
- U.S may rejoin the Trans-Pacific Partnership (TPP) to counterbalance APAC trade relationships after Trump’s withdrawal in 2017

Impact

- Origin determination for EU - Vietnam needed to realize the benefits associated with the FTA
- APAC is a dynamic area in terms of FTAs to watch out for
- Rethink supply chains and sourcing alternatives to reduce risk of losing manufacturing capabilities or market access

U.S. Trade Relationships

Objective: Transition from NAFTA to USMCA
Timeline: Entered into force on 7/1/2020

Observations

- USMCA entered into force 6 months earlier than anticipated
- New rules of origin focus mainly on automotive, but also require additional controls such as:
  - Increase of regional sourcing from 62.5% to 75%
  - 45% of the parts must come from a high-wage factory ($16/h min)
  - Trading partner
- Agreement renewal by each party to take place every 6 years, automatic expiration after 16 years
- Certification and forms have not been defined and subject to interpretation

Impact

- Update to rules of origin and new calculation required
- Update to certificates and forms

Additional Trade Considerations

Canada

Despite progress on the USMCA, the US and Canada have exchanged trade blows to each other, including retaliatory tariffs previously put in place by Canada.

France

The US responded to the France digital services tax with 100% tariffs on French goods. Both Presidents agreed to postpone until 2020 but French digital taxes are still accruing.

UK/Brexit

The UK has left the EU on 1/31/2020. Companies have until 12/31/2020 to implement customs operations for cross-border shipments.

EU

EU tariffs: certain US products such as whiskey, motorcycles, and orange juice.
US tariffs: As of Oct 18, 2019 there are 10% levies on jetliners and 25% duties on other products including Irish and Scotch whiskies, cheeses and hand tools.

Turkey & Crimean Region

Sanctions imposed due to human rights violations, terminated preferential trade status, and imposed tariffs.

Russia

Various sanctions in place since March 2014 for violating the sovereignty and territorial integrity of Ukraine.

North Korea

Various sanctions due to North Korea's nuclear weapons program.

Japan

25% tariff threatened on autos and auto parts and emerging deal on agriculture.

China—Tariff war in both directions

US tariffs: List 1–3 tariffs at 25% and there have been threats to have this increased to 30%
List 4A has been reduced from 15% (Sept 1, 2019) to 7.5% (Jan 15, 2020) as part of Phase I deal Jan 15, 2020
List 4B tariffs at 15% are postponed
China retaliatory tariffs: 5 % and 10% on $75 billion of US imports Sept 1 and remainder Dec 15
Unreliable Entities List: Watch for US Companies to be named

232 & 301 Tariffs

Additional 25 percent Section 232 Tariffs on Steel & Aluminum products taking effect February 8, 2020.

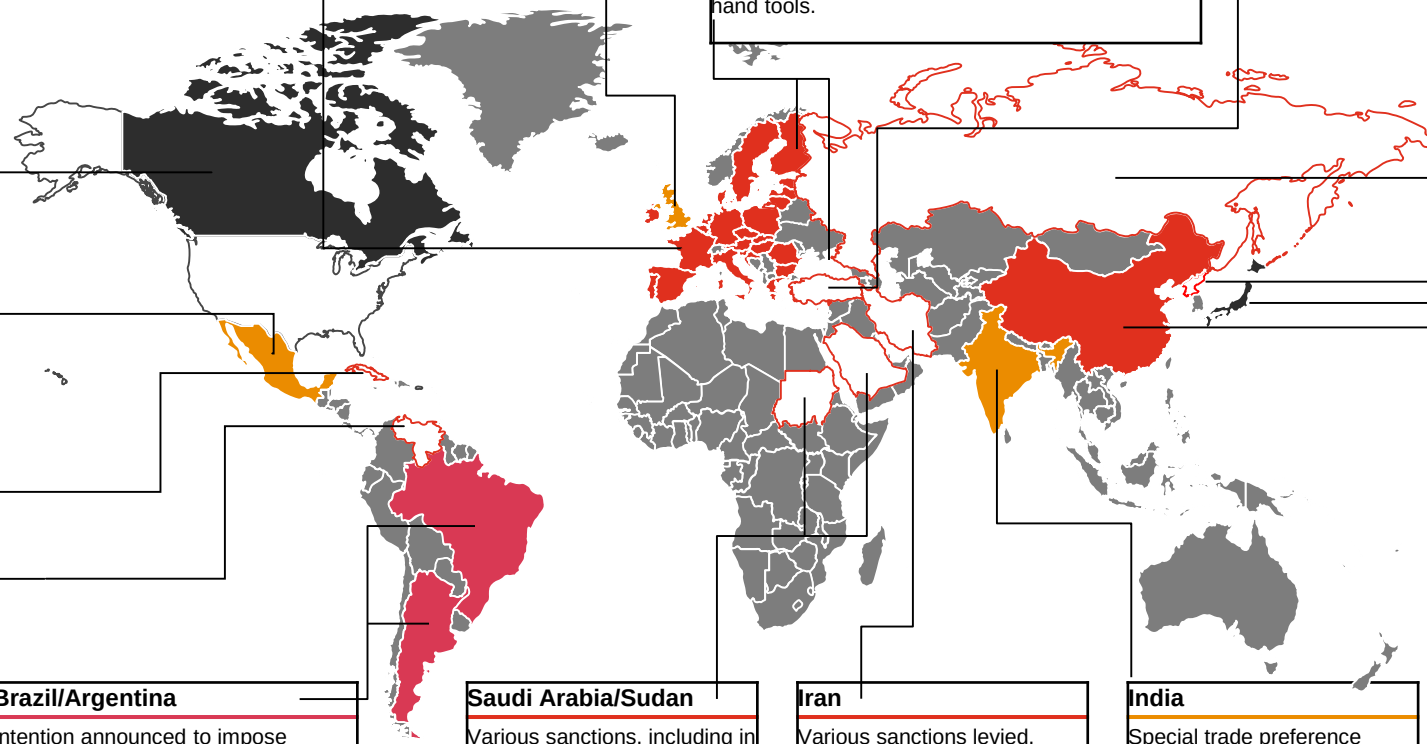
Certain countries are exempt from additional tariffs.

Mexico

Tariffs threatened ranging from 5% to 25%, but postponed for unknown time frame.

Cuba

Various sanctions with recent additions in 2019 related to channel economic activities away from the Cuban military, intelligence, and security services.



Venezuela

Sanctions related to human rights violations, anti democratic action, terrorism and drug-related activities.

Brazil/Argentina

Intention announced to impose additional duties on industrial metals in retaliation for currency devaluation.

Saudi Arabia/Sudan

Various sanctions, including in 2018 related to the killing of Saudi journalist and Virginia resident Jamal Khashoggi.

Iran

Various sanctions levied, including in 2018 for using funds from oil sales to support the Assad regime and terrorism.

India

Special trade preference (GSP) removed.

Global trade risk level

- 5 Peace
- 4 Watch
- 3 Increased Risk
- 2 Tariffs Imminent
- 1 Tariffs
- Sanctions

Global trade analytics

Krisztina Nagy, Customs & International Trade
PwC Switzerland

Krisztina Nagy
Customs & International Trade
PwC Switzerland

The world of tax is changing **completely.**

Why?

Changes in supervision and control

Digital

Changes in business models and economic actors

Based on public figures, we estimate that the **tax authorities** of **G20** countries are currently spending **CHF 30 Bn** on **digitising themselves** (data lakes, predictive analytics, combining datasets for integrated views) **and their staff** (new profiles, upskilling existing staff).

That is only slightly more than another great disrupter:

Who? amazon

Why are they investing all that money?

The perfect storm of supervision

1. More digital data
2. Better access to data
3. Greater power to process

→ Reduction in the **cost of supervision**

What does this now mean for business?

Authorities can process (and share) more data, more quickly.

+

There will be a drive away from sample testing, towards testing all relevant data and trend prediction.

→

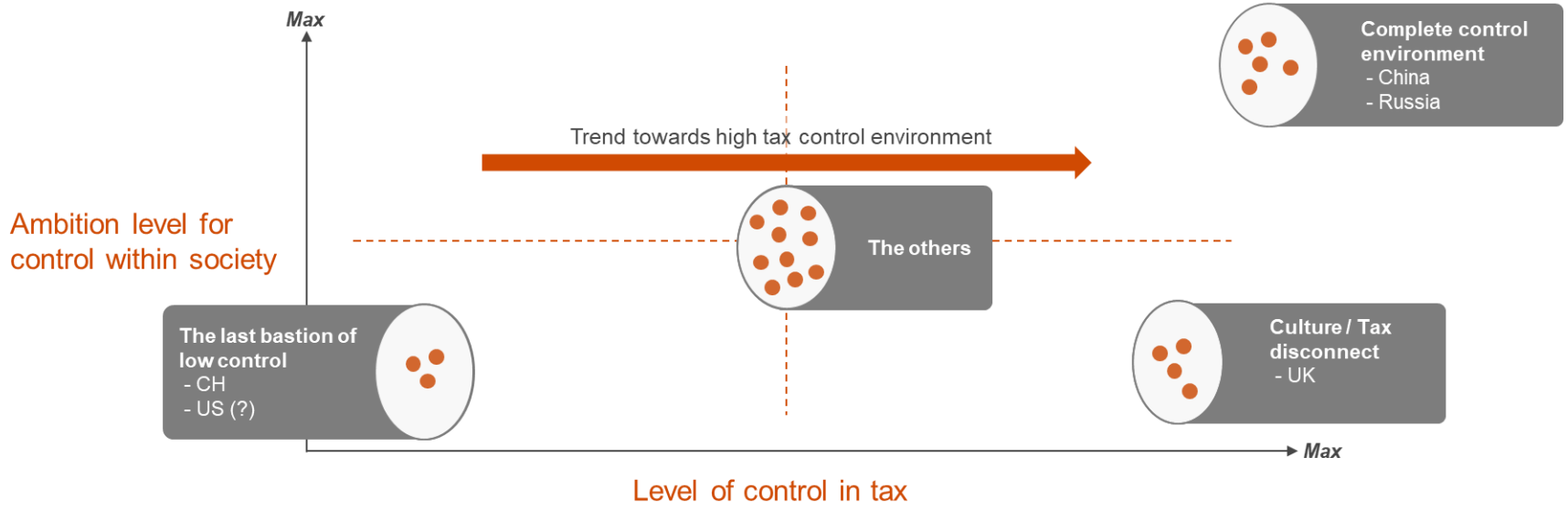
Non compliance (and incoherence) **will** be identified.

As they transform, authority expectations of your own capabilities will intensify.

But not all countries are moving at the same pace

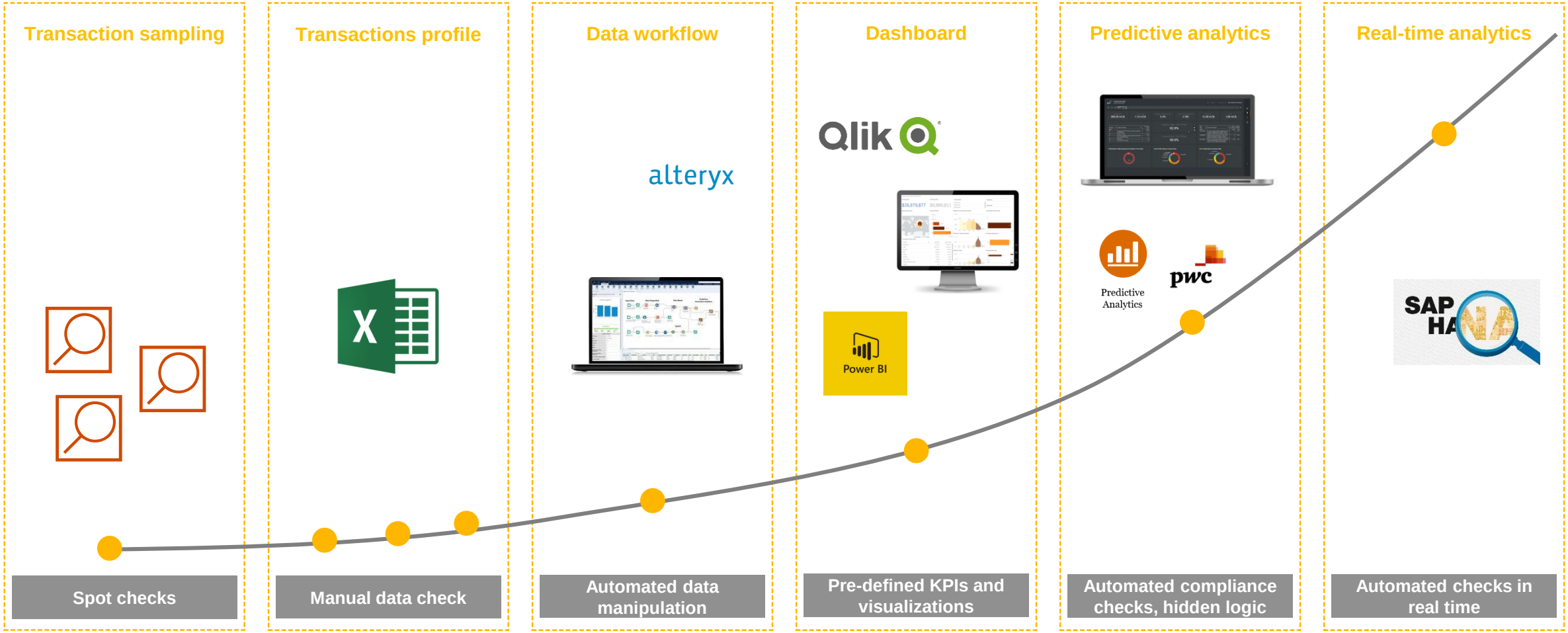
Digital technologies enable greater control of our complex, multi-faceted world

Progress towards control depends on where company sits on two scales. We think we will move to a world of clusters, with each one requiring a different strategy.



What can you do?

Understand what authorities know about you

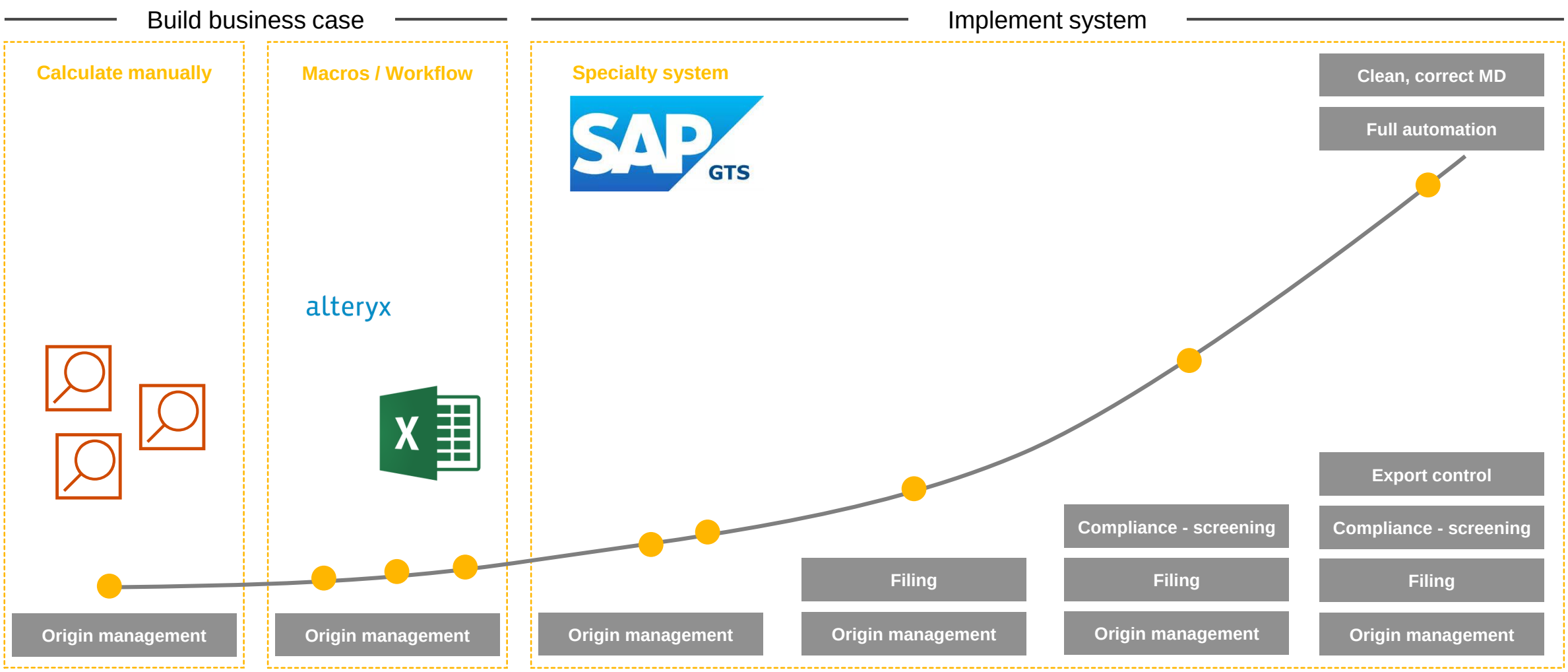


Is it only about managing risk?

No.

There are huge opportunities in Customs.

Customs is a great field to optimize



Building a business case is easier than you thought

Advanced analytics

Client data

Request data from the local authorities in selected geographies

External data

Customs duties and other taxes paid at importation, providing the legal basis for analysis and simulation

With **almost zero client workload** and **no upfront financial investment,** we look for optimization potential and **help clients realize the detected savings**.

SAP GTS Roadmap

Kai Seela, Solution Manager
SAP Germany

Kai Seela
Solution Manager
SAP Germany

pwc

SAP Global Trade Services – Roadmap

SAP Global Trade Services

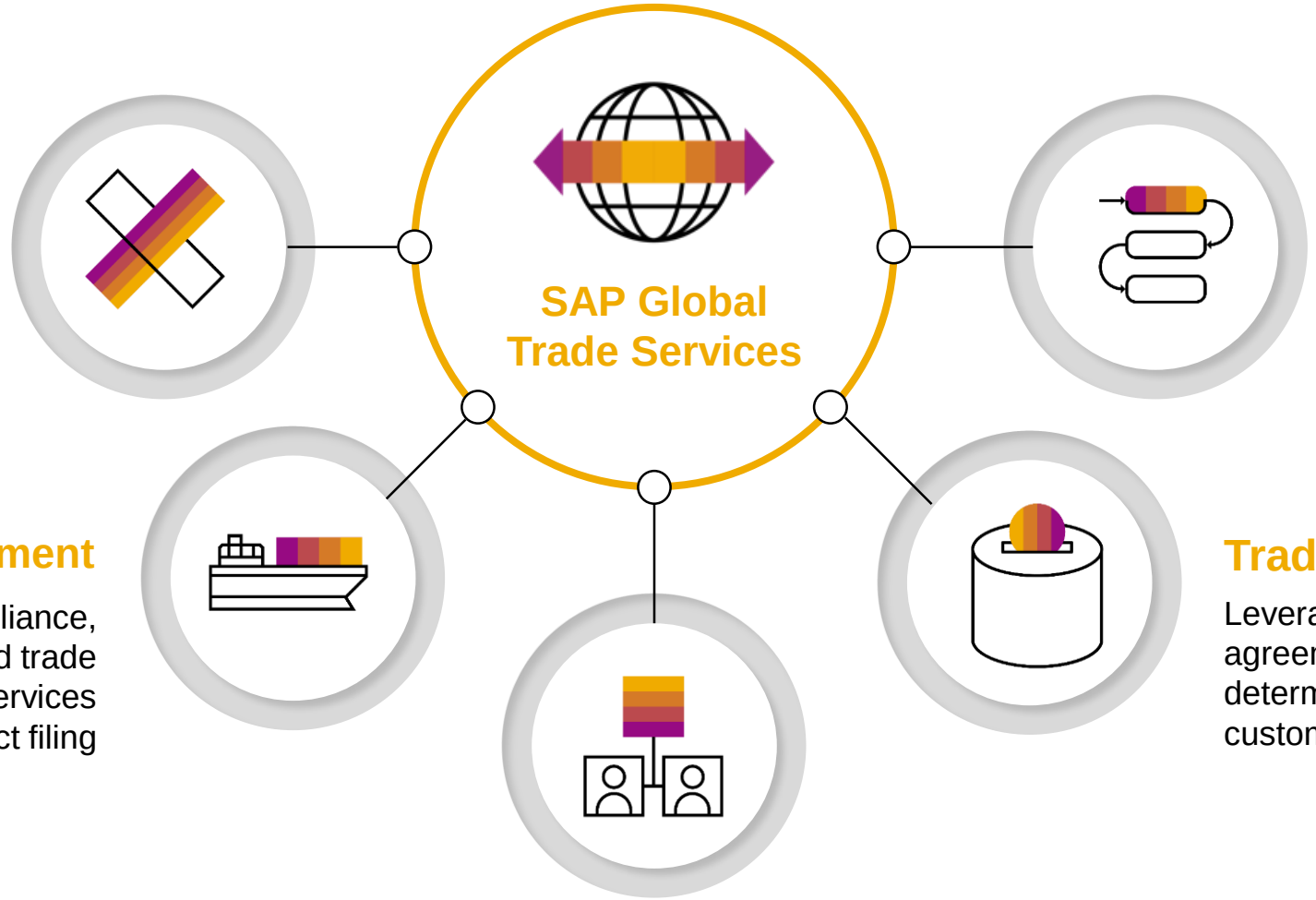
Leverage market-leading capabilities

Restricted Party Screening

Ensure proper screening of restricted or denied parties with inline process blocking and release

Special Customs Procedures

Leverage foreign-trade zones, processing trade in China, bonded warehousing, inward and outward processing relief (IPR/OPR), Intrastat, Excise Movement and Control System (EMCS), and others



Export Management

Manage export compliance, classification, outbound trade finance, and customs services with direct filing

Trade Preference

Leverage any free trade agreement with preference determination and vendor or customer declaration-handling

Import Management

Effectively manage import compliance, classification, inbound trade finance, and customs services with direct filling

SAP recognized as the market share leader in latest global trade compliance systems market analysis from ARC Advisory Group.[1]

>3,000 customers **>170 countries** **>25 industries**

[1]*ARC Advisory Group's "Global Trade Compliance Systems Worldwide Market" Research Study — Market Analysis and Forecast through 2024"*

SAP Global Trade Services – global market share leader

ARC Advisory Group

"SAP is *the market share leader* of the 2019 worldwide Global Trade Compliance market."

Report Published March 2020

"SAP Global Trade Services enables enterprises to automate and streamline complex trade compliance processes with the flexibility to meet country-specific requirements."

"When SAP GTS is integrated with SAP Transportation Management and SAP Event Management, customers can achieve global visibility and management capabilities to enable greater end-to-end, compliant supply chains.

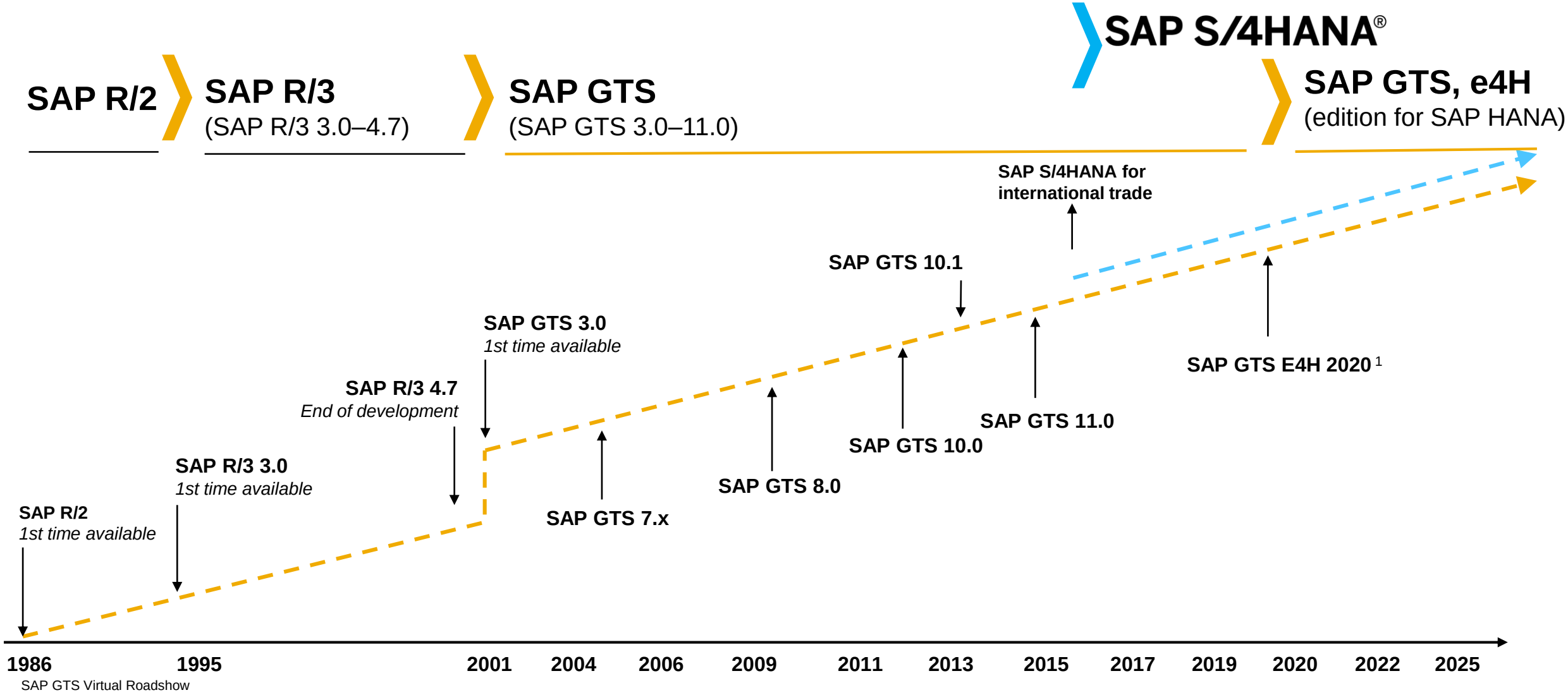
"Companies like SAP have established relationships with multiple content providers, who have strengths in different compliance segments, to help make it easier to construct a global solution."

Analyst: Steve Banker

ARC Advisory Group's "Global Trade Compliance Systems Worldwide Market" Research Study — Market Analysis and Forecast through 2024"

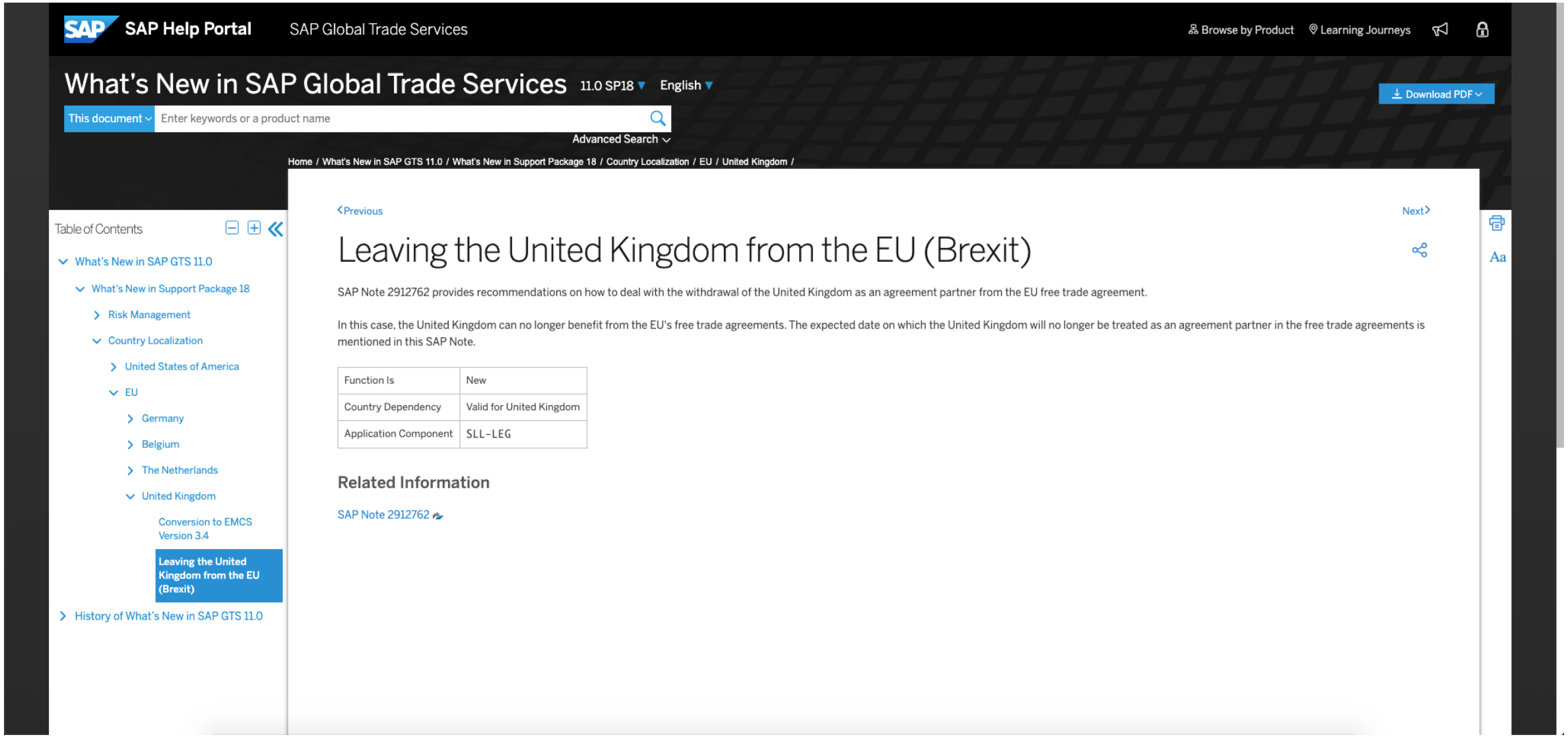
Global Trade and SAP solutions

Organic development for over 35 years in the global trade business



[1] Planned, future version (edition for HANA)

Recent innovations for GTS



SAP Global Trade Services

Product road map overview – Key innovations

Recent innovations

- U.S. FTZ enhancements
  - Automatic tracking and consumption of inventories within an FTZ
  - Zone-to-zone transfers (sending goods)
  - Forecast value check
  - Customs shipment for duty unpaid
- SAP Customer Connection – cross-topic improvement requests [2]
- Ongoing legal changes for all supported countries
  - Support of FTA EU-JP (JEFTA)
  - AU ICS with Seeburger BIS 6
  - U.S. Document Info System
- Integration of SAP S/4HANA Cloud to SAP GTS for customs management and trade preference management
- Innovation topics
  - POC blockchain integration of SAP GTS
  - POC tariff analysis using SAP Analytics Cloud

2020 – Planned innovations[1]

- Planned delivery of SAP GTS, edition for SAP HANA
  - Redesign of key user roles based on the SAP Fiori design
  - System access using SAP Fiori launchpad
  - Embedded analytics for select transactions
  - Functional “round-off” for preference management
  - SAP HANA–specific redesign of data structures
  - LTSD management process with SAP Fiori apps
- Ongoing legal changes and continuous improvements
  - U.S. import/export enhancements
  - Brexit preparation
  - DE ATLAS 9.0
  - China enhancements
- FTZ enhancements
  - Semifinished products
  - Material-to-material movement
  - Zone-to-zone transfers (receiving goods)
- SAP Customer Connection – cross-topic improvement requests 2

2021 – Product direction[1]

- SAP GTS, edition for SAP HANA
  - Continue with the SAP Fiori enablement of key user roles
  - Classification help based on SAP HANA search algorithm
  - Enhance LTSD management process with SAP Fiori apps
  - Electronic exchange of LTSDs
  - Intercompany exchange of LTSDs
  - Integration of identity-based preference processing
- Analytics
  - Highlight most important information with customizable KPI tiles
  - Reduce replication of data for global trade
  - Leverage SAP HANA performance for improved global trade analytics

2022 – Product vision[1]

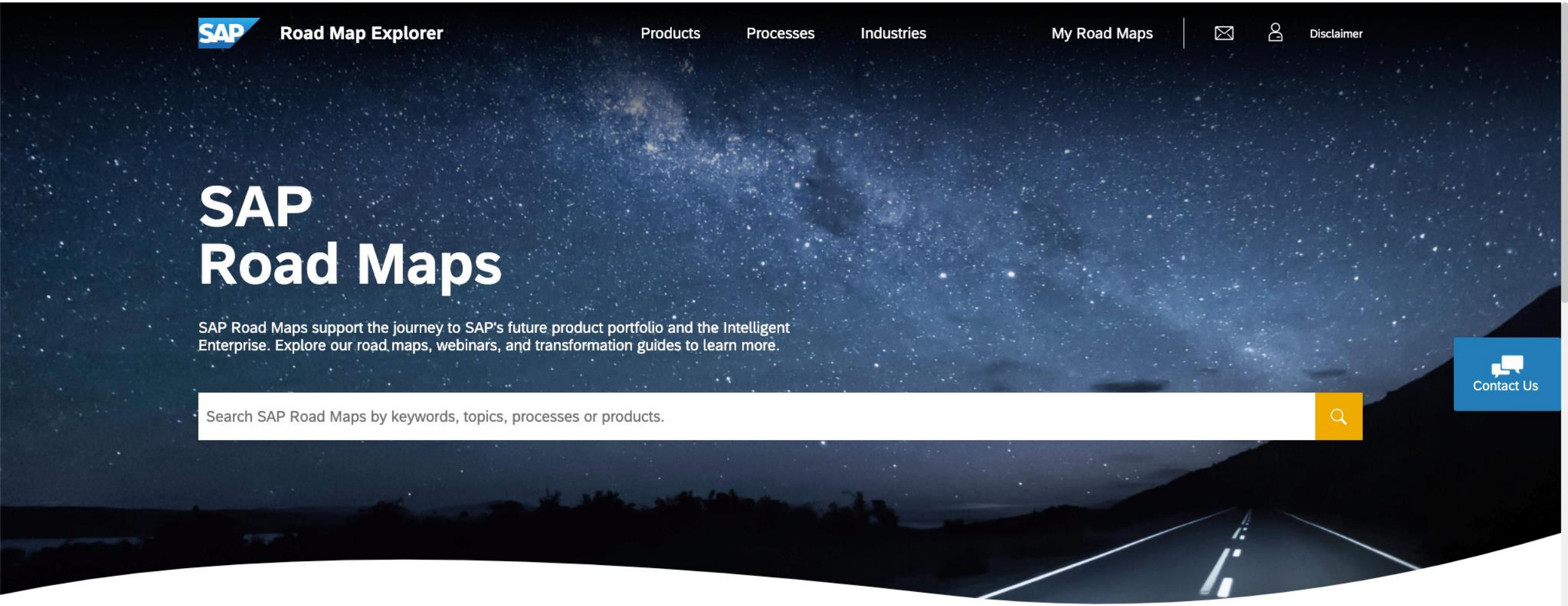
- SAP GTS, edition for SAP HANA
  - Management of shipment-based supplier´s declarations
  - Collect and store the nonpreferential country of origin from suppliers on batch/identity level
- Integration to SAP Cloud Platform–based services
  - External services through SAP Cloud Platform and deeper drilling into industry-specific scenarios
  - Leveraging of SAP Cloud Platform to extend standard SAP GTS capabilities
  - Streamline trade content upload

SAP Road Map Explorer

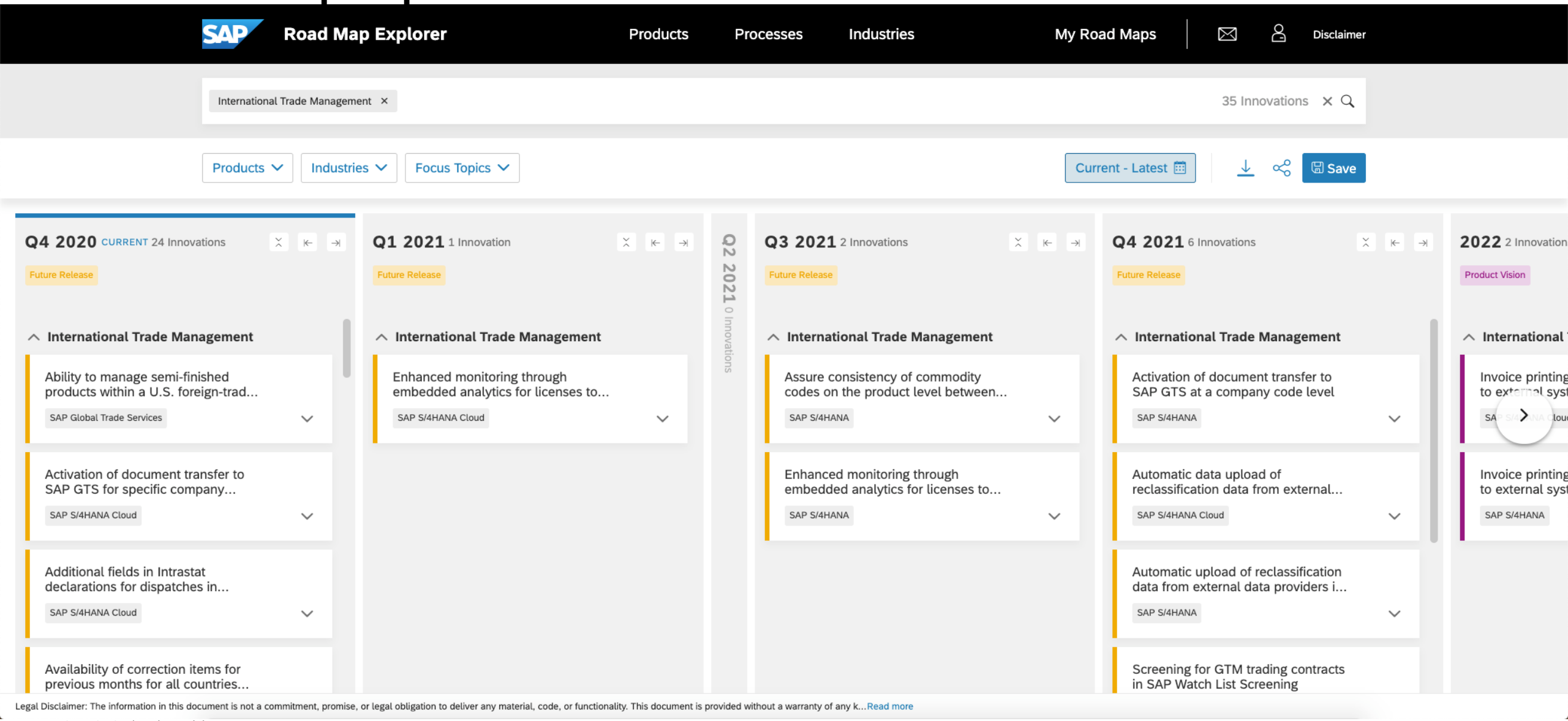
1. This is the current state of planning and may be changed by SAP at any time without notice.
SAP GTS Virtual Roadshow

2 Check https://influence.sap.com/GTS2019

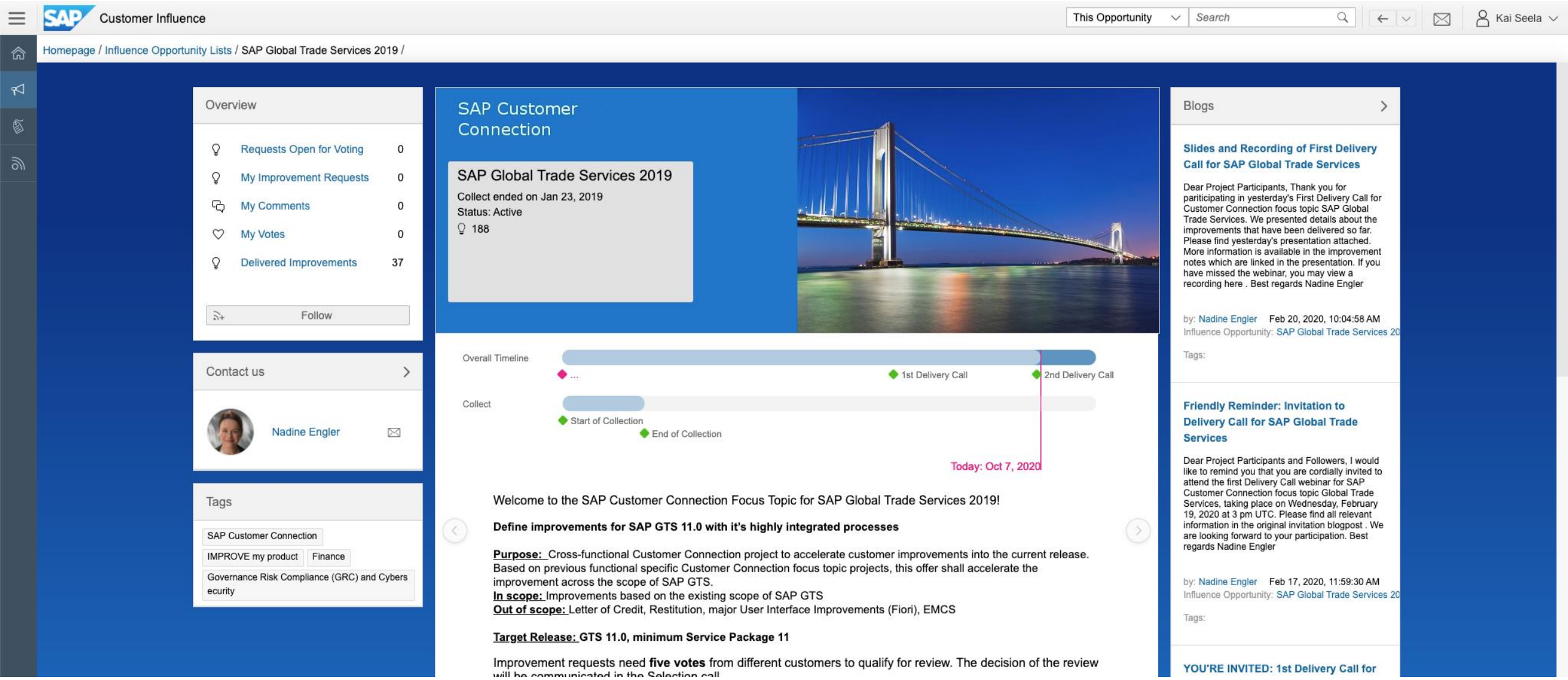
SAP Road Map Explorer



SAP Road Map Explorer for International Trade at SAP incl. SAP GTS



Influence SAP



SAP Global Trade Services, edition for SAP HANA 2020

Early Adaptor Care Program

Early Adopter Care (EAC) for SAP GTS, Edition for SAP HANA

Solution Capabilities, Product Direction and Key Benefits, EAC Features Scope, EAC Customer Value

Product Direction & Key Benefits

- **Faster processing** through SAP HANA DB; **HANA specific redesign** of data structures
- **System Access through SAP Fiori Launchpad**, retrievable via any browser
- **Redesign of key user roles** with the ability for user specific configuration to displays only role relevant apps
- **Improved usability** by grouping apps in a tile optic
- **Embedded analytic functions** for selected transactions
- **Streamline of the upload process** of trade data content

Solution Capabilities

Accelerate cross-border supply chain and streamline foreign trade business

Improve international trade management, compliance, and cross-border supply chains by **automating trade processes**.

Embed risk management into supply networks to reduce costs, penalties, and fines, clear customs quickly, and screen partners and transactions **in real time**.

Increase profitability by capitalizing on duty relief across geographies.

Drive compliance with EU statistical data requirements for the movement of goods across borders.

Streamline processes by proactively classifying products.

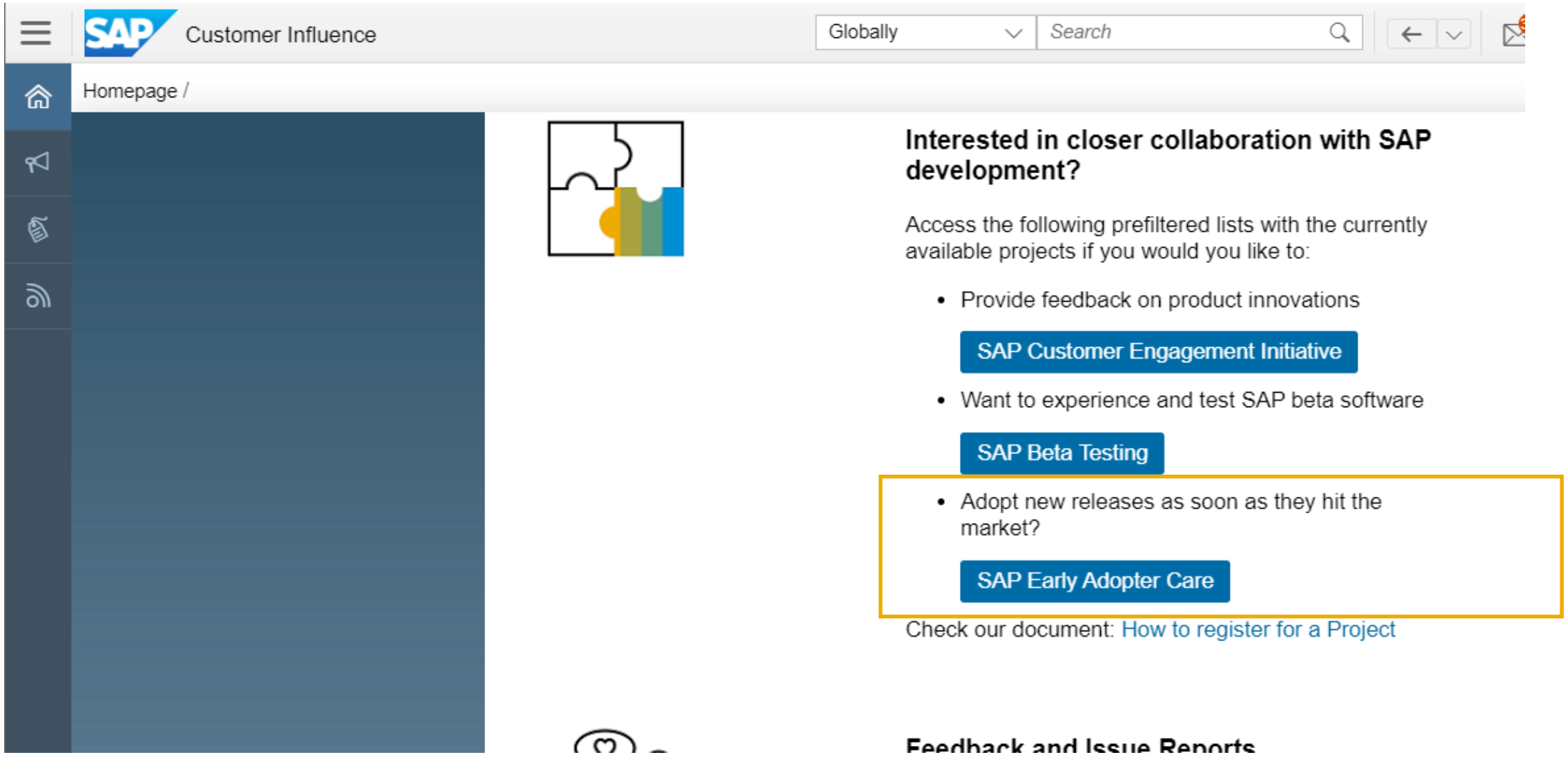
EAC Customer Value

- **Support with early implementation** of SAP's latest innovation
- **Close collaboration with SAP** to safeguard projects and react to and minimize project risks
- **Direct channel to Development** for Product and Solution insights
- **Special support concerning incident processing,** EAC flag promotes the incident higher in the SAP support processing queue
- **Access Stay Current learning** (formerly Early Knowledge Transfer (EKT) at no additional costs for select programs
- **Get Connected** via influence.sap.com

EAC Feature Scope

- **Trade Classification**
- **Sanctioned Party List Screening**
- **Trade Compliance** (Embargo Screening and Legal Control)
- **Customs Management Processing** (Export and Import Processing, Special Customs Procedures)
- **Intrastat**

Influence.sap.com



Early Adopter Care (EAC) for SAP GTS, Edition for SAP HANA

Process Steps and Project timeline

Customer activities

Review of EAC offer and decision about participation

Submission of application by completing the online registration form

Download and Implementation of the Software

Test, Use and consume Stay Current learning

Provision of Feedback

Continuous Usage

Project phases

Announcement on influence.sap.com

Registration of customers and partners

Selection of customers and partners

RTC[1]

Restricted Shipment Phase (Early Adopter Care Phase)

GA[2]

Project Start

Project Execution

Feedback Collection

Project End

Oct. 2020

Oct. 2020

Oct. – Dec. 2020

Dec. 2020

Expected mid 2021

Collect

Select

Implement, Test, Learn, Use in the context of EAC

Use

SAP activities

Publication of EAC announcement on influence.sap.com

Review of applications and selection of suitable participants

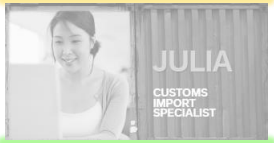
Notification of participants; set up of individual projects

Provision of support, Processing of incidents/other questions

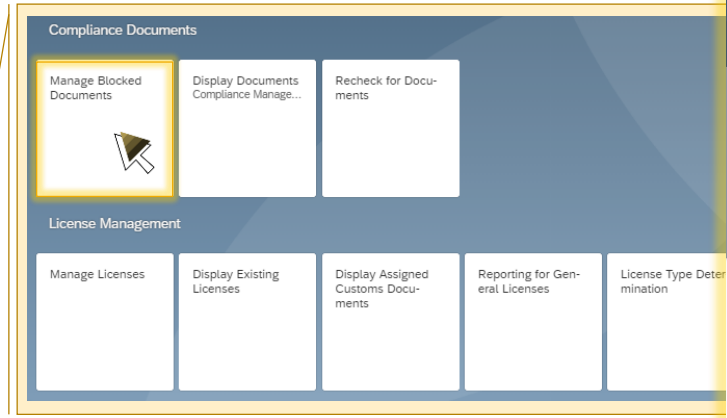
Analysis and process of Feedback

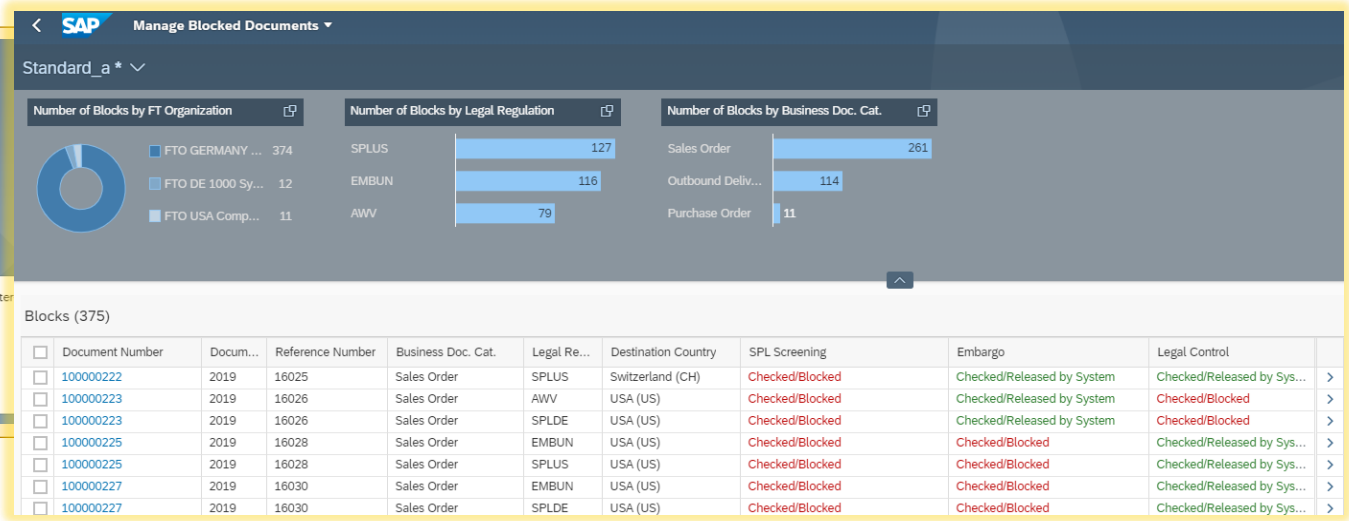
Continuous Improvements

[1] Release to Customer (restricted)
[2] General Availability (unrestricted)

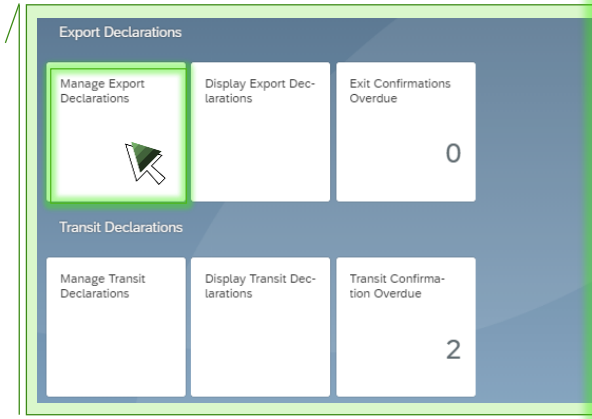


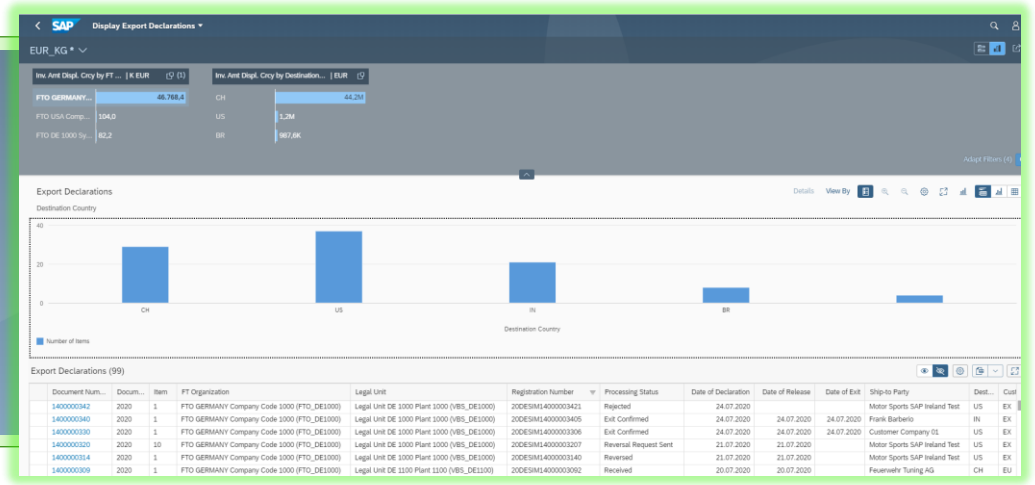
show

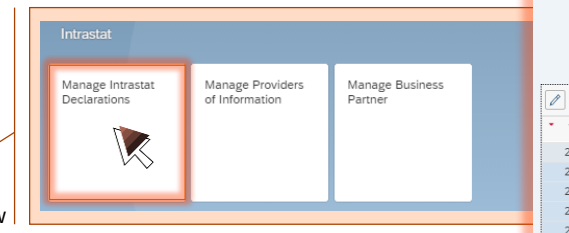


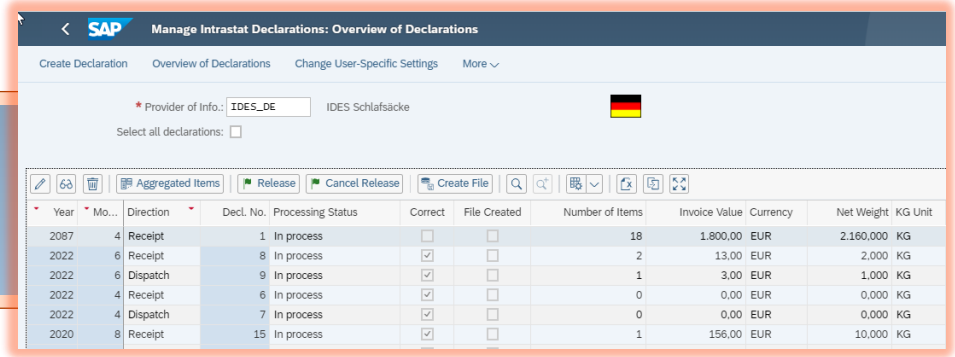


Document Number	Docum...	Reference Number	Business Doc. Cat.	Legal Re...	Destination Country	SPL Screening	Embargo	Legal Control
100000222	2019	16025	Sales Order	SPLUS	Switzerland (CH)	Checked/Blocked	Checked/Released by System	Checked/Released by Sys...
100000223	2019	16026	Sales Order	AWV	USA (US)	Checked/Blocked	Checked/Released by System	Checked/Blocked
100000223	2019	16026	Sales Order	SPLDE	USA (US)	Checked/Blocked	Checked/Released by System	Checked/Blocked
100000225	2019	16028	Sales Order	EMBUN	USA (US)	Checked/Blocked	Checked/Blocked	Checked/Released by Sys...
100000225	2019	16028	Sales Order	SPLUS	USA (US)	Checked/Blocked	Checked/Blocked	Checked/Released by Sys...
100000227	2019	16030	Sales Order	EMBUN	USA (US)	Checked/Blocked	Checked/Blocked	Checked/Released by Sys...
100000227	2019	16030	Sales Order	SPLDE	USA (US)	Checked/Blocked	Checked/Blocked	Checked/Released by Sys...



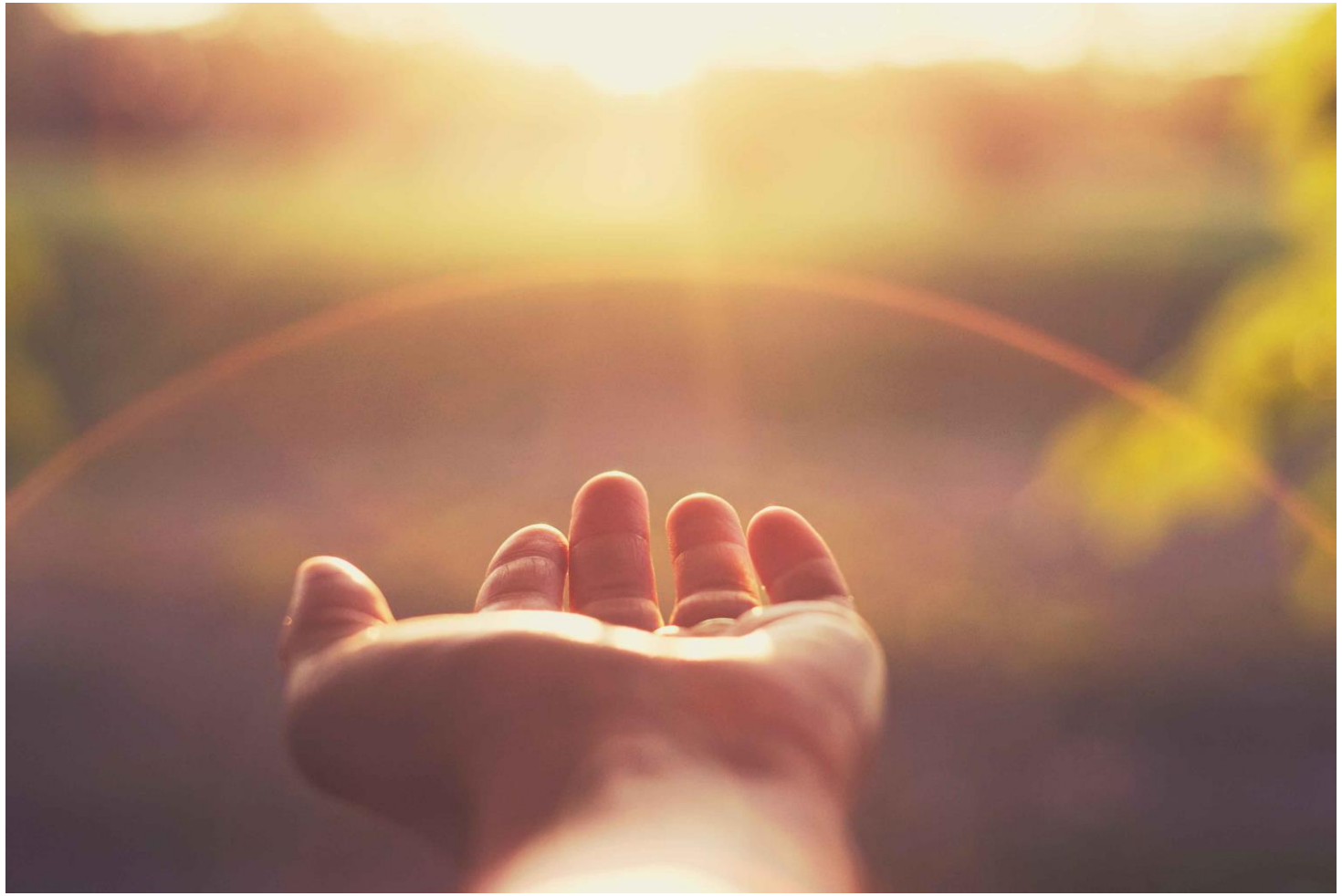






Year	Mo...	Direction	Decl. No.	Processing Status	Correct	File Created	Number of Items	Invoice Value	Currency	Net Weight	KG Unit
2087	4	Receipt	1	In process	☐	☐	18	1.800,00	EUR	2.160,000	KG
2022	6	Receipt	8	In process	☑	☐	2	13,00	EUR	2,000	KG
2022	6	Dispatch	9	In process	☑	☐	1	3,00	EUR	1,000	KG
2022	4	Receipt	6	In process	☑	☐	0	0,00	EUR	0,000	KG
2022	4	Dispatch	7	In process	☑	☐	0	0,00	EUR	0,000	KG
2020	8	Receipt	15	In process	☑	☐	1	156,00	EUR	10,000	KG

2020 GTS Shanghai Info Day



18th Nov.

EXPLORE

PRACTICE

SUCCESS

Cloud solutions for SAP GTS

Frank Klischat, Customs & International Trade
PwC Germany

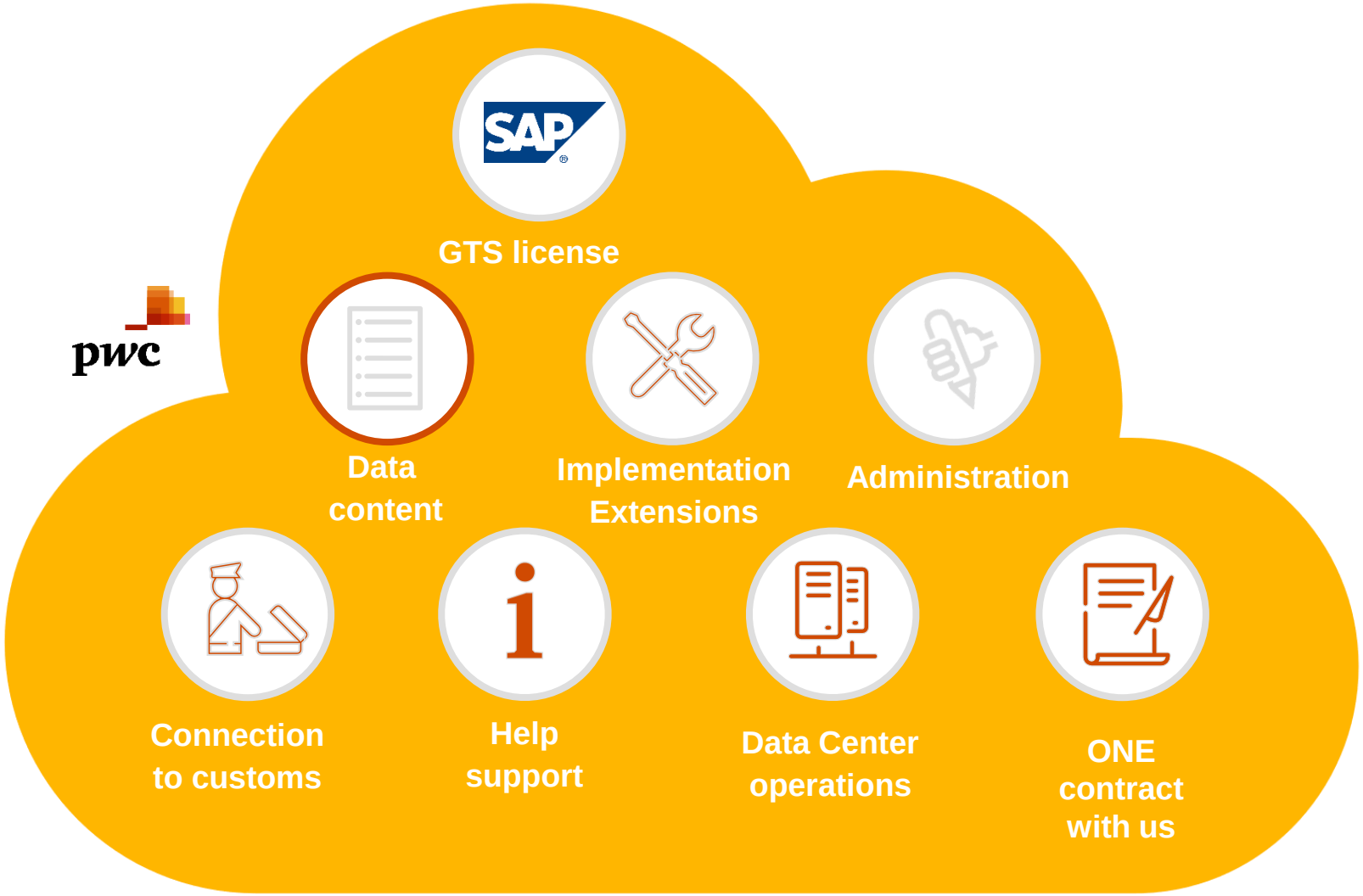
Frank Klischat
Customs & International Trade
PwC Germany

pwc

Are you aware of your challenges?

When selecting a suitable provider / models for your customs and foreign trade software?

Cloud Solutions for SAP GTS



Client

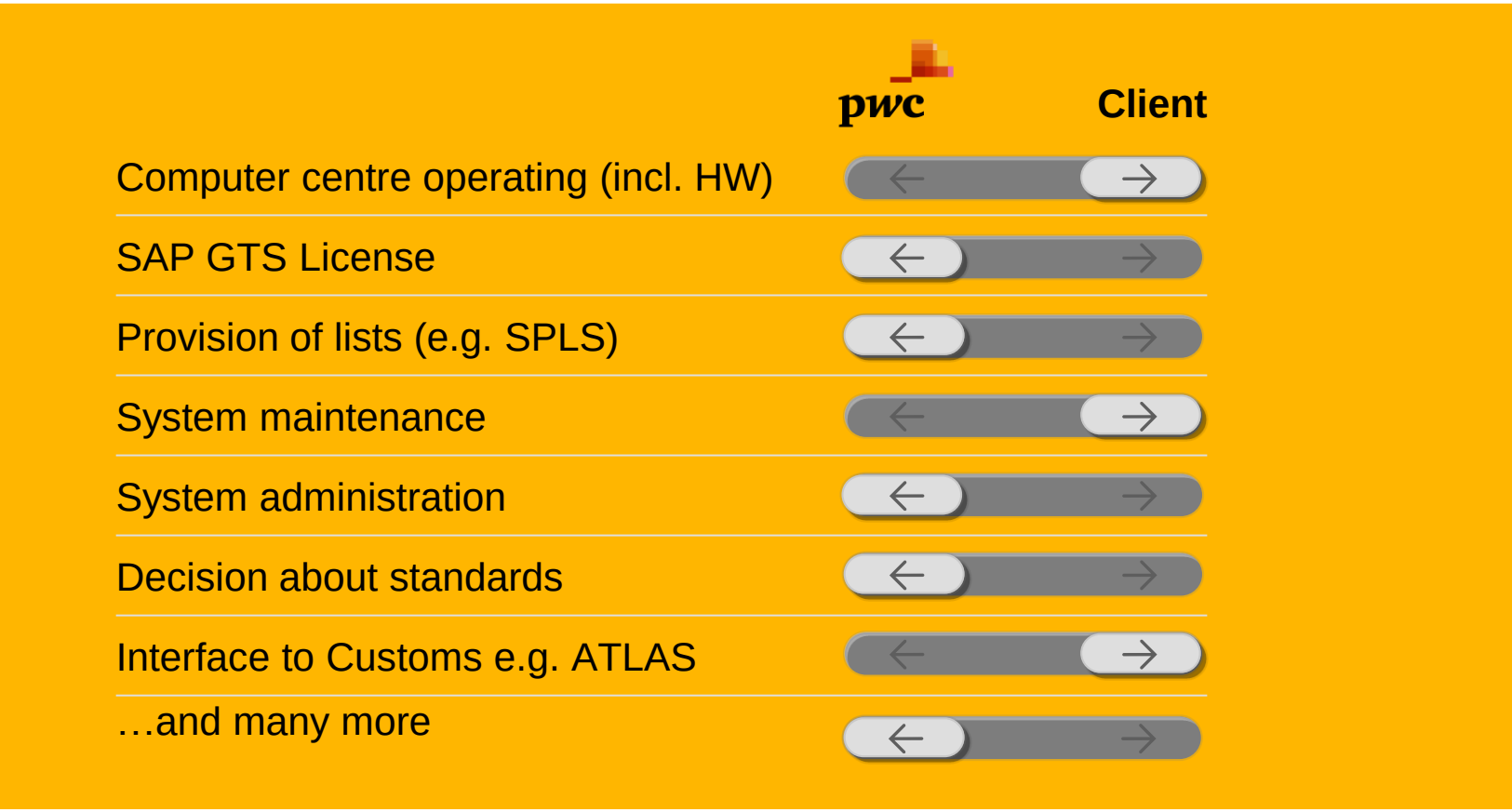
We can also provide almost all services outside the cloud - e.g. when you have your own SAP GTS license or want to use servers in your own data center.

Scalable PwC Services for SAP GTS

	pwc	Client
Computer centre operating (incl. HW)	←	→
SAP GTS License	←	→
Provision of lists (e.g. SPLS)	←	→
System maintenance	←	→
System administration	←	→
Decision about Standards	←	→
Interface to Customs e.g. ATLAS	←	→
…and many more	←	→

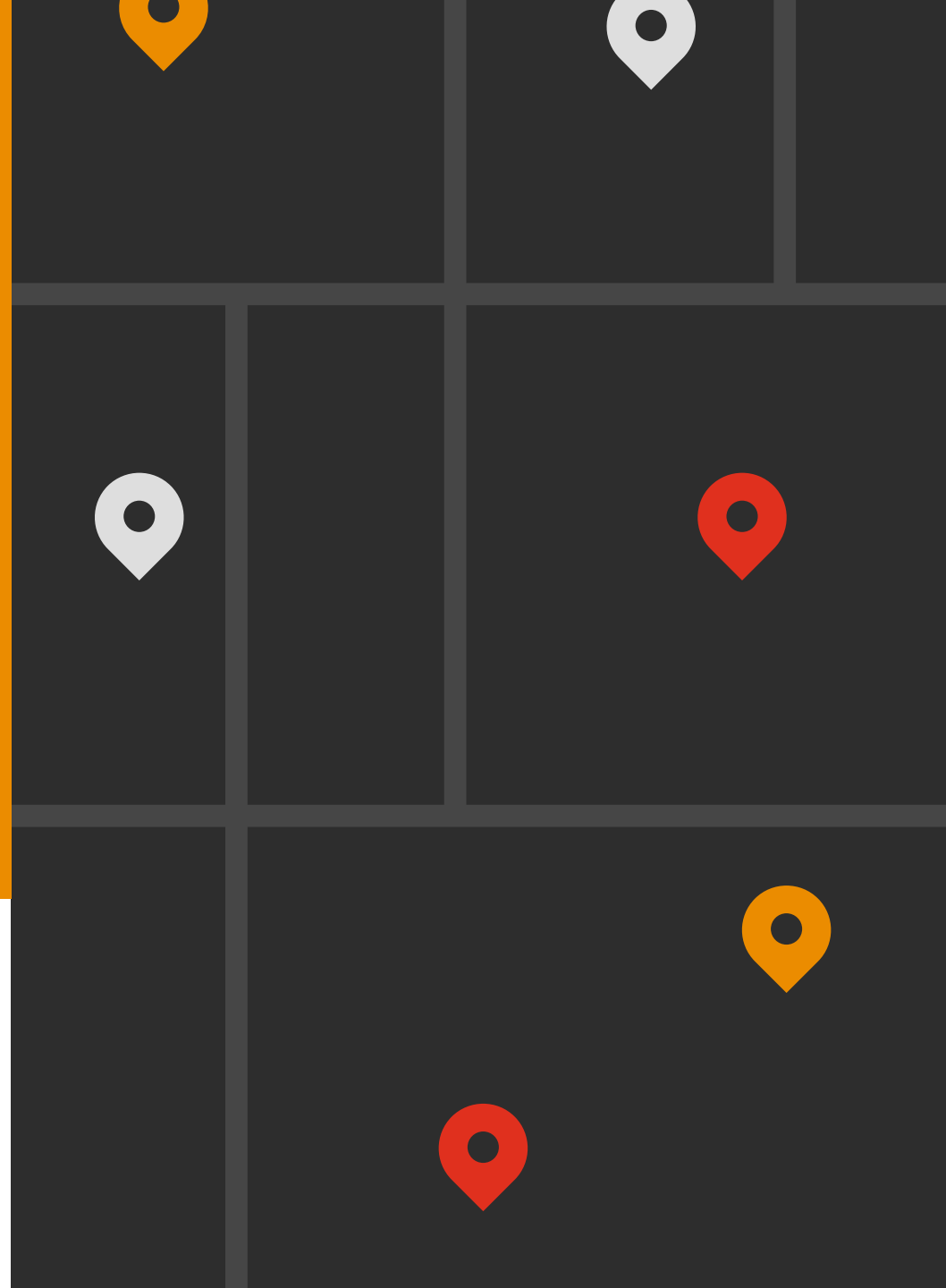
We offer **solutions** for all conceivable combinations of these **services**

Scalable PwC Services for SAP GTS



We offer **solutions** for all conceivable combinations of these **services**

CUSTOMS
CUS

Closing / Questions

Simeon Probst, Partner, Customs & International Trade
PwC Switzerland