SAP Policy for Cloud and On Premise Extensions

OBJECTIVES AND SCOPE

1. SAP Board decided to roll-out a new policy that allows customers to reallocate parts of their on-premise landscape to SAP cloud
2. The policy will lead to allowing also extensions to other on-premise solutions
3. And also require the ability to handle other cases w/o cloud or on-premise. “Handling of other requests”. The objective of this document is to outline SAP’s new policy regarding cloud and on-premise extensions. This policy is valid beginning **July 24** (Scenario 1)**/August 14** (Scenario 2 and handling of other requests)**, 2013.**

An extension to cloud or on-premise is optional for customers (in the direct as well as indirect channels). However, customers that choose one of these options must comply with the rules set forth in this policy.

The online version of this information is the officially released version. Any copies or print-outs are not controlled.

Scenario 1: Cloud extension

What is the "Cloud Extension Program"?

- Based on their existing investments in SAP software, customers can decide to reallocate elements of their installed On-Premise solutions to Cloud solutions from SAP, replacing the On-Premise licenses and maintenance with a Cloud subscription

For purposes of this policy, what is considered "Cloud"?

- For this policy, "Cloud" is defined as selected applications from the SAP Cloud portfolio (People, Customer, Money, and Supplier) incl. solutions from Success Factors, Ariba, as well as SAP Business ByDesign
- Other offerings also referred to as "Cloud," such as SAP HANA Enterprise Cloud and subscription-based hosting (SAP B1 Cloud, Managed Cloud-as-a-Service, Business Process Outsourcing) are not part of this policy

Scenario 1 of the policy describes how customers can replace existing on-premise maintenance payments with a new cloud subscription purchase.

Cloud extension starts with **purchase of cloud subscription.** As a consequence, and only as a follow-on step, the customer or customer's partner may **partially terminate existing on-premise licenses** (engine or user) usage rights and maintenance. In this case, the new cloud solution subscription payment needs to exceed the fees SAP was receiving as the annual maintenance payment for the transaction with the partial termination. This scenario holds true for:

- Customers, in the case of the SAP direct channel and SAP-delivered support in the indirect channel
- Partners, in the case of VAR-delivered support and maintenance harmonization (MTH) delta billed

Calculation example:

All values in K€

As-is Landscape		Cloud Extension		To-Be Landscape	
		Partial Termination:			
Mtce Base:	2,000	Terminated Mtce Base:	200	Remaining Mtce Base:	1,800
Support Offering:	Enterprise Support	Support Offering:	ES	Support Offering:	ES
Mtce Price:	22%	Mtce Price:	22%	Mtce Price:	22%
Mtce Fee:	**440.0**	**Terminated Mtce Fee:**	**44.0**	**New Mtce Fee:**	**396.0**
				Cloud Subscription:	**220.0**
				Total yearly payment (mtce + subscription)	**616.0**

This policy is valid beginning **July 24, 2013.**

The online version of this information is the officially released version. Any copies or print-outs are not controlled.

Scenario 2: On-premise extension
Scenario 2 of the policy describes how customers can replace existing on-premise maintenance payments with a new on-premise purchase.

On-premise extension starts with **purchase of new on-premise licenses.** As a consequence, the customer or customer's partner may **partially terminate existing on-premise licenses** (engine or user) usage rights and maintenance. In this case, the annual maintenance payment to SAP associated with the new licenses needs to be greater than or equal the annual maintenance payment given up by SAP for the transaction with the partial termination. This scenario holds true for:

- Customers, in the case of the SAP direct channel and SAP-delivered support in the indirect channel
- The partner, in the case of VAR-delivered support and maintenance harmonization (MTH) delta billed

Scenario 2 is valid beginning **August 14, 2013**.

SAP reserves the right to modify or end this policy at any time and without notice at its sole discretion.

Calculation example:

All values in K€

As-is Landscape		On-Premise Extension		To-Be Landscape	
		Partial Termination:			
Mtce Base:	2,000	Terminated Mtce Base:	200	Remaining Mtce Base:	1,800
Support Offering:	Enterprise Support	Support Offering:	ES	Support Offering:	ES
		Mtce Price:	22%	Mtce Price:	22%
		Terminated Mtce Fee:	**44.0**	**New Mtce Fee (remaining):**	**396.0**
		Required On-Premise Purchase:			
Mtce Price:	22%	Mtce Price (List Price):	22%	New License Deal	500.0
Mtce Fee:	**440.0**	**Minimum License Deal**	**200**	**New (add.) mtce fee**	**110.0**
				Total yearly mtce payment	506.0

The online version of this information is the officially released version. Any copies or print-outs are not controlled.

“Handling of other requests“
There may be customer or partner requests to terminate existing on-premise maintenance payments outside Scenarios 1 and 2 described above.
Such partial termination means that a customer terminates certain software usage rights (engines and users) and the corresponding maintenance volume, without an extension to cloud or on-premise solutions, as described in the scenarios above.

In addition, in the event of a Scenario 1 or 2 termination where the new licenses do not meet the rules as defined in the detailed sections below, such terminations will be considered “other requests.”

Because the historic contract was evaluated and agreed to by the parties on the basis of the purchased volume, especially with respect to discounts, SAP will recalculate the remaining maintenance base after the partial termination.

This recalculation will reflect only list-price volume discounts plus, in the case of the indirect channel, a 30% flat channel discount on MSRP. This means that the new maintenance base (for all remaining licenses relative to the respective contractual landscape after termination) will be calculated at the standard volume discount only. Any previously granted nonstandard discounts will no longer be considered for the purpose of calculating the maintenance base. The new maintenance fee will be capped at the maintenance fee paid before the partial termination.

This remaining policy to manage other requests is valid beginning **August 14, 2013.**

SAP reserves the right to withdraw or modify this policy at any time.

Calculation example:

All values in K€

As-is Landscape		Partial Termination “other cases”		To-Be Landscape	
Mtce Base:	2,000	Terminated Mtce Base:	200	Remaining Mtce Base:	1,800
List Price Value	2,800	List Price Value	280	List Price Value	2,570
Support Offering:	Enterprise Support	Support Offering:	ES	Recalculated Mtce Base (26% Discount)	1,950
Mtce Price:	22%	Mtce Price:	22%	Support Offering:	ES
Mtce Fee:	**440.0**	**Terminated Mtce Fee:**	**44.0**	Mtce Price:	22%
				New Mtce Fee (capped):	**429.0**

This policy is valid beginning **August 14, 2013.**

More details can be found here.

The online version of this information is the officially released version. Any copies or print-outs are not controlled.