

openSAP Invites, Episode 17

LEARN THE LATEST ON SAP'S CLIMATE 21 INITIATIVE

Transcript

Elisabeth Riemann: Welcome to openSAP Invites. In this episode, we're learning all about SAP's Climate 21 initiative with Bettina Zedlitz, Senior Director for Sustainability and Climate 21 at SAP. We'll be finding out how it's helping customers minimize the CO2 footprint of their products, operations, and supply chains. We also learn more about the openSAP course, Business Success with Climate Action. Stay tuned to find out some simple steps we can all carry out to reduce our own carbon footprint and how we can contribute to a more sustainable future. I'm your host, Elisabeth Riemann. Let me introduce you to Bettina Zedlitz. Bettina is a Senior Director for Sustainability and Climate 21 within the SAP S/4HANA Go to Market and Solution Management Organization. Over the last five years, she's been driving innovation for SAP S/4HANA, focusing on all aspects of the Cloud. Let's say hello. Hello, Bettina, welcome to openSAP Invites.

Bettina Zedlitz: Hey, Lizzie, nice to meet you here.

Elisabeth Riemann: Likewise. Bettina, climate change is an issue that's affecting all of us in every country and continent of the globe, and it's imperative, of course, that we as individuals and also companies take urgent action to reduce CO2 emissions. Now, SAP's response has been to launch the Climate 21 initiative. And today we're looking forward to learning how this initiative supports customers in realizing their sustainability goals. Bettina, before we look at the responsibility of companies, though, let's start with a quick question based on our individual consumer behavior. When we first met to discuss this episode, I learned that you love your garden, the environment, and that like me, you also drive an electric car. I love mine, but are they really a green alternative to the combustion engine? What are your thoughts? How high is the true environmental cost here?

Bettina Zedlitz: Yes, there's a lot of criticism for electric cars outside. They have, for example, found out that after only twenty-five thousand kilometers, it's more ecological than a fuel driven car and so on. Also, the batteries and the ingredients are, let's say,

critical. On the other side, we need to understand that innovation needs time to evolve. And this is the time at the moment for the electric car because nothing can be perfect from the beginning on. So, new materials need to be tested. It needs to be found out, where is the problem? Where what does the car need when it goes, what are the risks, and so on. And this can happen only with in real life. It cannot happen in theory. So, I believe that an investment into an unperfect e-car today is an investment into a new technology which then in future can really avoid that we go with fuel and consume fossil energy. So, and this investment is spread across all people who are willing to do this. And I think we are doing this. And maybe in five years from now, an electric car is completely different from today.

Elisabeth Riemann: So, it's a good first step, I guess it's first of all, our willingness to change our mindset and to think green, and then hopefully the technologies will then pick up speed as well and evolve there.

Bettina Zedlitz: Exactly, yes.

Elisabeth Riemann: Bettina you're a Senior Director for Sustainability and Climate 21 within the SAP S/4HANA Go to Market and Solution Management Organization, and for well over 10 years now, we've been talking about climate change. So, I'd like to ask, where do we stand today exactly and what the renewed urgency in 20 21?

Bettina Zedlitz: Yes, it is right, we're investing into sustainability since many years, 20, 30 years in SAP, massively since 10 years, and we are doing a lot and also leading by example in terms of sustainability. And we're recognized in the outside world for that one. On the other side, the outside demand has changed completely. For sure, the Fridays for Future Movement has also made more clear that the representatives of the next generation, our children, would not accept that we continue as we did before. So that means they are requesting a change and they are doing it so massively that also they influence their families and so on. And with that, the employees of today. So, the discussion around climate change has come to a level where it is not acceptable anymore to just wait and see. And businesses have understood this, and they have understood that they face now a lot of risks and what we are doing and doing at SAP, we are looking at the outside world and trying to evaluate what are the risks? And because our customers are companies and they have to see that they that we give

them help to avoid those risks. So maybe I go a little bit deeper into this one. We have the consumers, consumers changing their behavior. That means a consumer, like you and I, we look at what we buy. We see there is an apple. Does it come from here? Does it come from somewhere else in the world where it needs a lot of transportation? But it's not really intuitive to know where is a lot of carbon emitted or not, so that it's not intuitive at all. So, but the consumers with social media in the background, if they find out that a product has not been produced in a sustainable way, first of all, they might walk away from the brand and not come back. And second, they will spread this via social media quickly. And this is the real brand reputation problem. And it also shows that consumers are asking for a different portfolio of products. They want something which is biological, which is sustainable, which is not hurting the environment or people anymore. Also, this is something companies need to understand. Investors are doing the same. They are also looking into companies. Are they able to react flexibly, agile on the outside demand that is one thing. And then also is sustainability as an outside demand covered by this company? That means if an investor finds out that sustainability is not part of a company, they believe the company is not able to recognize that there's a trend outside. There is a new wave of demand outside company could react to. Also, future employee employees. So if you are a company and you want to attract the best talent outside of the really top people, then you companies need to understand that the number one priority for job seeking Millennials or Generation Z is that the employer is acting in a responsible way. And then we see a lot of regulations coming up. We see a carbon taxation in Germany, Lieferkettengesetz or Supply Chain Transparency Act, we have more than 60 locally diverse carbon regulations. But companies need to derive a coherent global strategy out of these different regulations. New regulations will come. Nobody knows exactly how they will look, but that enforces the need of customers or companies to react quickly and see that they understand their own processes so that they are able to fulfill those future regulations when they come. Last but not least, all this will come with a huge investment need. The United Nations estimates the investment need for climate smart infrastructure over the next ten years to more than 90 trillion US dollar. And this is really a lot this is this is a huge, huge investment and this is only for climate. This is not all the other stages which need to be fought on one hand side. This is a challenge from companies on the other side, this is also a business opportunity because there will be a huge demand for climate smart infrastructure outside. Then these companies who can react quickly and fulfill this demand will face a huge business opportunity, similar as we had with the consumers in the beginning with

a new product portfolio. So, these are the risk where we see this as coming as a new demand to businesses and the. They need to react flexibly and promptly, similar as in the current crisis.

Elisabeth Riemann: There's a lot of pressure on there. And Bettina, while the Covid-19 pandemic really continues to dominate headlines, I think it's truly fair to say that climate change is certainly not been put on hold. So, what's the mid-term impact of the pandemic? And have travel bans and the economic slowdown had a positive effect? What can we expect as the global economy now starts to recover?

Bettina Zedlitz: Yeah, so the impact of the Covid-19 pandemic on the companies was significantly, as we all know, the crisis has shown us our volatility and vulnerability. And overall, it was a big, big learning opportunity. What we see is that companies have overcome, or as far as possible, overcome the crisis. And it's still, you know, it's the ongoing we still have a lot of emotional vulnerability in that. But on the business side, also, it was possible only to overcome the crisis or live with a crisis with an increase digitalization. So new possibilities of data exchange of meetings and all the possibilities, what digital enterprise can offer. They had suddenly they were focus for everyone, for everybody, especially for those areas where we did not do this in the past. You know, SAP we are lucky we had all the infrastructure in place. But look at the schools. Are these type of areas where this was simply not that needed to be built up very quickly. So, the increased digitalization helped us all to overcome, let's say, the shock of this lockdown and also to continue our work and why we were doing this. I think we all found out that there was also a positive aspect in it. So, we saw that suddenly companies, managers, employees, they all realized that there's an alternative way. And this alternative applies. Also, some benefits like reduced travel, less time spent in traffic jams. Yeah, reduced costs overall, etc. For the environment, this is another chance. That is a chance so also to recover because we would never, ever have thought that we can reduce the travel so much. On the other side, we understood that a disruptive change is possible without the economy completely going down. And it also reveals new business opportunities. So, and I think this is where we stand right now and suddenly sustainability becomes even more possible than it was before the pandemic. Before the pandemic, that everybody feared this disruptive change, which would be necessary. But now we see it is possible. And with that, it is also much easier to understand that sustainability is a business topic as well.

Elisabeth Riemann: So, it really is a disruptive change that's happened, we were very fearful of it and couldn't really imagine it before, and it really has turned into reality and it's a very big business topic. How do you think the topic of sustainability has changed then in recent years?

Bettina Zedlitz: In the past, sustainability was more treated as a problem for individuals or even as an individual contribution of a company, for example, SAP, in the last 10 years, they have done a significant contribution to sustainability in their own operations, in their own company. So, for example, not using single use plastics anymore or reducing the amount of food which is wasted in the canteens or also running all our data centers, all our complete energy consumption on 100 percent renewable energies, which is also true for all the cloud data centers. So, that means all the software we host for our customers would also run on 100 percent green energy. So, this is already a significant achievement. But if you imagine how small this portion is compared to the overall need of reducing carbon emissions, it's just a drop on the hot stone, as we would say, in Germany. So that is something which is really important. Also participating initiatives and supporting where possible, but not enough. Now, what we have seen is that sustainability has become a problem which companies cannot resolve with their own singular and voluntary contribution. When we look at the highest emissions and CO₂, we see that the business is doing them in producing the products for the consumer, for sure. But still, the business is the point where we can save the highest amount of CO₂ emissions. And this leads to the fact that the business also has been pointed out to reduce them and puts them under a massive pressure. On the other side, this is for sure an opportunity because a few companies with a lot of CO₂ emissions can do a massive impact in reducing them. So, I think this is what we are now doing, and we are trying to invest significantly into tools, software processes, which help the companies reduce their CO₂ emissions while they produce their products. And not only a voluntary basis, doing a little bit reduction of energy here and there. This will support our customers. These tools and the software will support our customers to go along their transformation. And this will be a long way. We know this because customers will need new data types. They will need new process steps. They will need new controlling mechanisms, auditing, they need new insights to be able to steer this journey and this change. And this is what we are going to support here.

Elisabeth Riemann: So, as you say, it's a very long journey, we're basically at the beginning pretty much there, and I guess it's a very costly one, too. So, they need to be incentives in place to really encourage all companies to address these sustainability goals. And I guess it's the responsibility also of entire countries to really reduce CO2 emissions overall as well. So, the examples you provided that it sounds like a very critical situation for businesses and you covered a little bit how SAP's available to support there. But I'd also like to know, are all businesses affected in a similar way? What do you think there, what's your experience?

Bettina Zedlitz: I would say, yes, definitely all businesses will be affected or are already affected, for sure. The large producers we know, the large producers, they are building really complex products. Imagine a car, or a mobile phone, all those things which have a really deep supply chain. And it's difficult to understand where all the CO2 emissions come and how they add up over the entire supply chain. But this includes immediately the small suppliers. The small suppliers are the ones who are delivering the pieces and, with that, a certain amount of CO2 emissions which have happened during the supply chain, that means here we already have the very large producers and we have the very small suppliers in one boat, maybe not all with the same complexity, but all with the same goal. Second, when we look at different industries, for example, for sure, the manufacturing companies bringing all the products together, this is important for them to dig into the details. But look at service companies with all the travel or retailing companies who have to present all the products to the consumers and explain the difference or public organizations. So, we have everywhere we have the need to look into the details and make it transparent and to act. Yeah, just do something to change. And that is independent, really independent from the industry. Maybe, yeah, it has different aspects, but the need itself is there. Also, when we look at global or local, yes, we have local companies, they are affected by the local regulations we have. But when you look at a global company which has to deal with all the different local regulations and still have a global strategy, that is even more difficult now.

Elisabeth Riemann: Very challenging for sure.

Bettina Zedlitz: Yes, but being affected doesn't mean that it's only negative. When you go along all the change, as I said in the beginning, new business opportunities will open up. You will find a niche in the market where others might not yet be. And this is

something where companies need to jump on, and the consumers will demand new products. We need new infrastructure and so on. I also believe the new type of companies will be founded. You see this in the social media everywhere. Existing companies need to be able to react on the demand and they can react on the demand and jump on it if they adapt quickly. But the smaller companies, they have it much easier. And we also see a different mindset here on the smaller companies. We have, for example, one customer producing electrical cars which have a photovoltaics in their surface and the entire company acts sustainable. And this is very different, a very new and different type of companies. We will see more in future.

Elisabeth Riemann: And I think it's really interesting that you say as well that startups really have a different mindset, they have it easier in some ways and can address these changes immediately. And I think it's really fascinating that the impact of social media there as well and brand awareness and the impact that having sustainability goes in there and to find to be seen to doing the right thing and be a good impact. And when we look at companies looking at sustainability, who in companies are actually in charge of tackling this business opportunity, who's holding the reins there?

Bettina Zedlitz: So basically, we see all this pressure coming to the CEOs at the moment and we also see the CEOs making very bold statements in terms of sustainability of their companies, the promise needs to be kept in future. We understand that the topic is high on the agenda of the CEOs, but we also see that there is not the specific role which can tackle the entire topic of sustainability. We see that all roles in the company are affected. We had it already around manufacturing R&D. So, the supply chain processes need to be upgraded. You need to calculate and optimize the carbon footprint. We need to launch a circular economy initiatives in there. But on the finance side, all this needs to be calculated. We need to have new insights. We have new parameters in our integrated reporting. So, all new costs need to be estimated in and so on. On the IT side, they have to upgrade the systems, add new data fields, add new solutions to support this change. So, we see this is really across a top management issue. All roles will be affected and they all will have their specific trigger and the specific actions they have to do with it. Again, it's not a quick fix and it needs a systematic approach and a contribution of all.

Elisabeth Riemann: And I think it's clear, as you said, there's no quick fix there, right? It really is something that you have to be working on for mid-term goals that really is affecting all layers of the enterprise. And there are so many different aspects that are affected there, too. So, it's really good to look at the holistic view there. And when we look at what companies are doing for sustainability, what do companies need and what's SAP providing, how are we helping customers there?

Bettina Zedlitz: All the data we need for sustained for tackling sustainability holistically are not entirely there, or they might be there, but not in the right format as needed for new sustainability reporting. So maybe I make one example here. We have all the salary data of employees in our HR system, but do we have the insights, whether we have equal pay or not? So that is something which might be somewhere hidden in the data, but not explicitly shown as a value or as a KPI. So, with that, what we will need is new data across all data, all processed steps. We know whether it is in the ERP or outside ERP. We will need new data and we need new tools to create insights and also new tools and software to process them. So, when we look more detailed here on CO2. When companies do their CO2 emission targets already and they know quite well what they want to reduce, especially the big ones know how to set targets and they want to reduce, and they have a specific target here. That will be a problem for those customers when they do not know where the CO2 emissions really happen. They need to get transparency on where in the value chain the CO2 has been emitted. Most of them do not yet know. And this is something what we try to tackle. Within the SAP system, we have most of the data which are needed to tackle that. For example, the materials which are needed for a product, the bill of material, how to combine it to one product, the supplier handling, the transportation, which needs to happen before, during, and after the process. The energy which has been consumed, the risk management, the integrated reporting, the auditing processes, all these things are needed for understanding CO2 emissions and reducing them. But they all need additional fields they need additional process steps, additional insights. So, SAP has the tools which cover the processes holistically, the entire process of an intelligent enterprise, and that can help our customers and we can help our customers in adding sustainability into all those processes as a new dimension. And with these dimensions, we can do the new data, the new process steps end to end. In general, CO2 is a resource problem and that is SAP's home turf, our ERP solution.

Elisabeth Riemann: I think it's amazing to think about the massive wealth of information and data that you have there, and it's about enriching it to really make sure that customers get the transparency there and see where the CO2 emissions, the highest ones, are happening. And looking at customers and your experience and feedback from them, what are the biggest challenges that they're facing?

Bettina Zedlitz: The biggest challenge of our customers is there transparency. I would say. So, the transparency on the data and especially on CO2. CO2 is at the moment a very prominent parameter where everybody needs to react somehow and CO2 and the equivalent of CO2. So, this is where we really have to add into it and that's what we are doing with the Climate 21 initiative, where we're adding multiple solutions to create this transparency.

Elisabeth Riemann: And Bettina, if we look at SAP's Climate 21 initiative, how does this fit in with our product portfolio there, can you talk us through the products?

Bettina Zedlitz: Yes, for sure. So, as we have announced externally is that we are heavily investing into new tools and products and last year we launched product Carbon Footprint Analytics. But this year we are launching our SAP Product Footprint Management. And that will be the holistic and integrated solution, which helps the customer to assess the the data, evaluate where is the potential, and optimize the carbon across all processes and along the entire value chain. So, from cradle to gate. We will release the beta releases. Right now, we have five beta release customers who will test this, but then in August we will make this generally available for all our customers. And I think this is a significant step into transparency of carbon footprint of a product. We start with carbon later on other parameters will follow. And I think SAP is the first company really looking in all these details of carbon emissions with this product. This beta release and also available in August has been communicated prominently on our SAP Sustainability Summit in April. We had more than twelve hundred attendees and more than 32 sessions, more than 70 speakers, and more than seven hundred twenty hours of content, which is really a lot and all free of charge for the attendees. And still it has been recorded completely because this was a virtual event and is still available to watch for and for around another year. So, feel free to still register and listen in.

Elisabeth Riemann: And you'll give us the link so we can put that in the show notes then, Bettina. So, Bettina, I'd also like to talk about the openSAP course, Business Success with Climate Action, which ran first for three weeks from January to February in 2021. How did you and your colleagues decide on the content? I guess there were so many different aspects and topics that you could have put in this course. How did you decide on what to put in and what to leave out?

Bettina Zedlitz: So, we wanted to give an understanding from an outside perspective, because we know this is a learning not for SAP colleagues, but for everybody. So, we wanted to give this perspective what are sustainable development goals, what are greenhouse gases, what is the UN talking about and what is the challenge? But also, how does this relate to our vision, what do we want to achieve over time, and how we are going to contribute to the reduction of carbon along the value chain in detail and with the products which are coming. So really from a complete outside point of view, down to the details of the product, we wanted to show everything, and that was why we had a content for three weeks.

Elisabeth Riemann: Are there any additional updates that you'd like to share with us since the course, I mean, you mentioned just now the beta at the SAP Product Footprint Management. Are there any other updates you'd like to share with us?

Bettina Zedlitz: We have the Product Footprint Management, which will be also integrated into our S/4HANA ERP processes, which is very helpful for our customers because they do not have to set up all the data and so on. This is then selected and brought together automatically.

Elisabeth Riemann: One of the big points when we have an openSAP course running is the feedback that we get in the discussion forums. And I know you were very keen to get feedback from the learners of this course, too. Are there any insights that you'd like to share with us?

Bettina Zedlitz: Yeah, the feedback of the course was very precise, that was very helpful. We saw a lot of expertise also and in the participants. First, most of the participants were really glad that we're investing so much into development, but also into the education, so making it transparent to the outside world, what is happening,

what the vision is and so on. Many of them also understood that this is a completely new way of thinking and complete a new way to go with itemizing all the products into the different carbon emissions and determine what the footprint of a specific product would be. And so that was also very good feedback in this direction. And they gave us a good prioritization of what should come next in terms of parameters of environmental parameters, for example, water or land use and these type of things. So, this will help us to prioritize our development in the future and see what we will do next after carbon.

Elisabeth Riemann: I think that's really excellent that the feedback that they've provided has really helped you to really prioritize the portfolio and know which focus areas to look at next and to prioritize those. Would you like to share some details with us of what's to come in the next few months?

Bettina Zedlitz: Yeah, we will continue working on our sustainability portfolio, so we will enhance it more and more. We will also help our customers to structure the topic, the entire topic of sustainability and approach it holistically, not only focusing on carbon, although we have a very specific focus on that one, but we understand that sustainability is much broader than carbon, sure. It is also industry specific and it is end to end. And as I said in between, we want to bring sustainability into the Intelligent Enterprise as a new dimension. And this is what we are taking really seriously here. So, we will we are going on a journey together with our customers and we will learn together. So, we will also face all the new regulations and that will bring us a big challenge next year and probably afterwards as well. And we will invest our efforts and also resources to tackle these challenges of new regulations. Yes, we will be busy that all will keep us busy over the next years. And but I think that journey we can go together.

Elisabeth Riemann: And I really love the fact you emphasize it's a journey that we go on together with the customers that we're all learning from one another, and it's really a guided approach that we take there. Bettina, on openSAP Invites, we like to highlight learning opportunities. So, what do you recommend to our learners who've already completed Business Success with Climate Action? What else can we learn?

Bettina Zedlitz: Yes, so there are more openSAP courses. We, next to the Climate 21 openSAP course, we also have a Clean IT openSAP course and another one,

Environment, Health, and Safety are already running. We are also planning one for the circular economy. This will come later and for sure, we will continue working on more as we can. We will have more sustainability events. We still have a replay of our SAP Sustainability event and we are planning one for Sustainability in Retail, which is coming in August. So, a lot of open content in this regard as well. In addition, we do have a community page where you can register as an external person as well. And in this community page for sustainability, we will always, every two weeks or so post new blog post articles, we have community calls, which will give you new content not only from a SAP, but also from our partners, and which also will bring you more and more details into the different aspects of sustainability. So, this will help you start your process in your own company with new content.

Elisabeth Riemann: Wonderful and we'll include all those links, of course, in the show, notes. Bettina, as individuals, aside from staying in touch with all the content and keeping abreast of that, what can we do to help drive climate action both personally and professionally? What do you recommend that each and every one of us can do there?

Bettina Zedlitz: Yeah, basically, there's a lot to do that is good news because the people not have to search for the work here. Everybody should just start in his home turf, in his now I mean, also, the professional side of the house. Should start somewhere where you are a professional in and you will find a lot of potential. Look into the specifics of your daily work. And once you find this potential to change, you also could start the process in your company. If you feel not comfortable with that search the help from SAP services on implementation partner or strategic partner to get some guidance. The topic is everywhere. They are already trained to identify potential. And in each and every role, as we said in the beginning, in each and every role in a company, sustainability can be worked in and can be turned into actions. So, I just encourage you to start going and start finding the potential.

Elisabeth Riemann: Thank you. And Bettina, to conclude today's episode, can you recommend three steps that perhaps you can all start to take now to reduce our own carbon footprint?

Bettina Zedlitz: First step is understanding. Bring your data together, assess them, try to see where are the gaps. Try to understand where you stand at the moment that

would lead you immediately to the second step, evaluate your options. Look at the big potential you can identify in your company, not the small things, but really the big chunks where you can do with one step, a huge improvement and then start as a third step optimizing where you can achieve the most. So, where you really feel you can save the most carbon emissions do this step first. And in parallel, you can do these things which don't cost you much, but focus on the biggest chunks. And with that understanding, evaluating, and then optimizing, I think you will exactly go the same ways as we are doing and then we go this together.

Elisabeth Riemann: Very good approach. Bettina, thank you so much, it's been an absolute pleasure speaking with you.

Bettina Zedlitz: Yes, thank you for having me and for all the interesting questions. It was a real pleasure.

Elisabeth Riemann: Thank you for listening to openSAP Invites. If you enjoyed this episode, please share and leave a review and don't miss your next invite. Subscribe now.

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