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Episode 89: Circular Economy, Impact of End Producer Responsibility (EPR) and Plastic Taxes, with Accenture



Talal: Hello and welcome to our podcast Inside SAP S/4HANA. There is no customer success without product success and project success. I'm Syed Talal Hussain, product manager of AI and Sustainability at SAP Engineering, your host for the episode today. A couple of months ago, I hosted a podcast with Deloitte where we had an interesting insights on impact of digitalization on sustainability. Check that out if you haven't already. Continuing with the series, as promised today, we are going to discuss the circular economy and the challenges and opportunities businesses face when it comes to EPR schemes and plastic taxes. I have with me today two special guests from Accenture, Emmeline Cardozo, part of the Circular Economy strategy team, joining from New York.

Emmeline: Good morning.

Talal: And Neena Brandt, who is the North America SAP Sustainability lead at Accenture, joining us from Minnesota.

Neena: Hi, Talal. Thanks for having me.

Talal: To complement the perspective. I have also invited my colleague Shahd Abdelrahman from SAP Partner Solution Adoption, joining us from Dubai.

Shahd: Hello, everyone. Pleasure to be here.

Talal: Let's kick off this conversation with our guests right now. First of all, to Emmeline, share with our audience something that people might not know about you.

Emmeline: Thanks for having me, Talal. Something that the audience may not know about me. I took opera lessons as a child and I was actually in an opera production, so I'm very excited for the summer season here in New York at the Met Opera.

Talal: Very interesting. And I have always loved opera. I have listened to opera in Germany as well. Always an amazing experience. And I am just amazed at the level of commitment it requires. Let's take an opinion from Neena as well. Neena, our second guest. Tell us something about yourself.

Neena: So my background is a mix of cultures. I lived in three countries and I grew up in a very tropical country, but I currently live in Minnesota, in the United States, where the winters could be a little harsh. So something a lot of people don't know is that I have taken cross country skiing or Nordic skiing in some countries, calling it as a hobby. So a lot of people who know me won't believe it because it's so far out of my comfort zone.

Talal: Cross-country skiing. That sounds like a good use of winter. Interesting. Thank you for sharing, Chad. Let's get to you. Share with us something that the audience won't know.

Shahd: Well, something that the audience will know is that I love traveling and I love going everywhere. But as a result of that, I started looking into different cultures and now I'm learning Korean, which is completely off the bat as a hobby on the side.

Talal: Interesting. I am sure it must be for the Korean shows that are getting very popular nowadays. I envy you. You know. I envy you. Thank you so much for sharing. Let's just get

right into it. Since we are talking about sustainability, the topic has been going on and off for the last several decades, even if it's not even just recently. I would like your opinion, Emmeline. Let's briefly touch on the importance of circular economy. How do you see it and how do you put that into perspective?

Emmeline: The circular economy is one of my favorite topics. So let me give a little bit of context on what we mean by circular. You mentioned that the conversation about sustainability has been taking place for many decades and there's a lot of media attention on the climate crisis and the transition to renewable energy. But energy production only accounts for about half of GHGs. So in order to solve for the other half of emissions, we need to change how we produce, consume and dispose of resources. And that's really where the circular economy comes in. We're actually on track to exceed Earth's capacity for natural resource extraction by 2060. That's according to the UN Environment Program or Unep. So the good news is that with circular we can implement sustainable products and consumption measures to keep resource use within acceptable levels and to understand what the circular economy is. I think it's important to share our view that the traditional economic system in which we currently exist is linear. So we extract resources and energy. We use those resources and energy to produce products and services that we all consume. End of use, most products get wasted or thrown away, or at best they're recycled. So an unsustainable system, right? And waste is typically thought of in terms of wasted resources. But we can also think about wasted capacity, you know, products that aren't used to their full capacity, wasted life cycles and wasted embedded value. So what are the components or materials that aren't recovered at end of use of a product? The circular economy, on the other hand, seeks to close that loop on our take Make waste value chains. And it's really about reinventing the way that we produce and consume. So waste is designed out. Products are kept within productive use for as long as possible and so on. And by leveraging the circular economy as one of the paths to achieving environmental restoration, we at Accenture believe that we can meet that growing demand for consumption while decoupling from our reliance on scarce and non-renewable resources.

Talal: Quite a nice perspective. Let me also ask you a very simple, quick input here. How do you see the business value? Because we all see that we could do some things better earthy as we know that there is no doubt about it that it's running out of resources and we are having a climate catastrophe at this point. How do you see the business value?

Emmeline: It's a very important question and one that our clients and customers ask us quite frequently. Beyond the circular economy is usefulness as a tool to address those critical environmental challenges, as I mentioned, really presents a business opportunity. Accenture Research has placed the global value of the circular transition at 4.5 trillion USD. We conducted a quite robust analysis of this in a book that was published in 2020 called The Circular Economy Handbook. And within that research we found that most industries saw several billion dollars in potential value to unlock. So we really view circularity the circular economy as the Swiss Army knife of solutions, if you like, to support better planetary outcomes while also delivering business value, the two are inextricably linked.

Talal: Absolutely. I completely agree that there is a huge business opportunity and \$4.5 trillion is a number that everyone should have it in mind. And by the way, I've read that report by Accenture. It's definitely a must read and gives a very good idea. We also see that there is a business opportunity and on the other hand, there is also regulations and an essential

sense of responsibility. What I'm touching upon is the topic of plastic taxes. We have heard that coming up all over Europe and also EPR or End Producer Responsibility. How do you see those taxes, regulations and all of the in-between that's going on there? What's your take on it?

Emmeline: Sure. I'm happy to share a little bit more about those. And maybe for the sake of simplicity, we can take one material category as an example. So let me talk about plastics packaging. This is an area where Accenture and SAP have partnered extensively, so we are not on track. In fact, we're going backwards in terms of plastics circularity. So Ellen MacArthur Foundation, which is a leading NGO in this space, puts out an annual report on the biggest corporate commitments towards single use plastics reduction. And the most recent report in 2023 actually found that we've backtracked to 2018 levels. So clearly there's an urgent need for that circular transition, and our customers are facing pressures from a variety of stakeholders. Corporates are setting really ambitious commitments. So there are peer pressures. Employees are demanding more sustainable action, investors, consumers of course, and in particular regulators and NGOs. And the policy landscape is really rapidly shifting with just loads of fees, taxes, extended producer responsibility, as you mentioned, deposit return schemes. In fact, the World Economic Forum reported that 170 different countries have pledged to reduce the use of plastics by 2030. So there's a lot going on there in terms of key pressures.

Talal: We keep hearing about EPR, end producer responsibility, that keeps coming up. Also, I would like our audience to have a bit more on it. What do we exactly mean? Like the responsibility now rests with the end producer. Has it always been the case? Is it a new case or how does it actually work?

Emmeline: Yeah, I would say it is increasingly becoming the case, although that has not historically been true. So an EPR is a policy where manufacturers pay fees based on their, if we're talking about plastics packaging in this case, on their packaging or plastic volume in a market, so say for every tonne of plastic that you produce, there's a fee associated with that. And those fees typically go to fund waste management and collection or recycling activities. And there are hundreds of EPRs for plastics in place across multiple geographies. There's not one single model of what an EPR is, but there are some commonalities. So governments tend to set the policy. They oblige companies to register in their jurisdiction. Companies then pay the fees which go back to supports waste management, collecting and recycling. And then it's kind of a virtuous cycle where the data from that goes back to governments to be able to manage policies and fees and new. In terms of plastics taxes, one that many of our joint customers are grappling with currently is the Spanish Single Use plastics tax, which came into effect in January of this year, January 2023. The tax rate is €45 cents per kilo of non recycled plastic and companies can actually be fined just for inaccurate measurement of those volumes. So kind of an immediate and tangible impact on businesses and because there's so much variety to all between EPR and plastics taxes around the world, the regulatory framework in multiple markets is just so complex the fees can vary dramatically within and between countries. There tends to be a lot of manual tracking, difficulty obtaining the insights that are needed, particularly at the market level. So it is a multifaceted landscape to say the least.

Talal: Absolutely. As you said, multifaceted landscape. I totally agree with that. When we are talking about taxing something, you know, it's really always the case. You can't really

improve something that you can't measure. And that brings me to SAP solution. So the Responsible Design and Production, the Sustainability solution and also can't help but wonder and question, you know. So since it was co-developed with Accenture, as we know already, I would like your perspective, Neena, on it. What's the story behind it and what's up with it? How do you see it?

Neena: So Accenture and SAP are co-developing this SAP Responsible Design and Production solution to address some of the issues that Emmeline was just talking about. And what that really means is that we're building this together, we're taking it to market together, but also looking at how to build the future capabilities in the tool. And we have some amazing advisors on both sides, on Accenture and SAP that look at what's important to our clients. What's coming up with regulations around the world and how to prioritize those to get them in front of our clients fast so they can benefit from this solution.

Talal: That makes sense. And it's an ongoing process, ongoing product that we are developing. And it's absolutely brilliant to see that we can address the real world problems, how we bring value directly onto the table and not just talk about it, but also put numbers on it, make it accountable. And that's something really that is brilliant. Since we are talking about co-development, circular economy, Accenture as a partner of SAP at this point, I think it's only appropriate that I take a perspective from my colleague Shahd, who is from SAP partner Solution Adoption. Shahd, how do you see this partnership and how has it evolved over the time?

Shahd: I mean, if we take it a step back, our role has always been into helping our customers into their technology. With technology as well as with their transformation journey. So if we talk about circular economy as a whole or Responsible Design and Production in specifics, of course, when we're thinking about what's the best way to take this into the market, it was very clear that the role of our partners will be very crucial in this journey. So of course, when it comes to Responsible Design and Production, we had to play the interface between the regulators as well as businesses and be this kind of medium, as Emmeline has mentioned, to translate all of these regulations, schemes, etcetera, into a system that is kind of seamless and easy to navigate from our customers. So this is where this partnership really fits into the picture. Of course, over the past five years, SAP has been looking into responsible design and production, but it was through this co-development partnership with Accenture that we kind of brought it to life. There has been over the past two years, last year and this year there has been extensive effort from development perspective as well as from enablement perspective. There's been various webinars that have been go run by us as well as our Accenture colleagues. So of course this is a very strategic partnership. It's very important to circular economy in general, but of course we're talking about our being specific and in driving it into the market further.

Talal: Very interesting perspective. And also, as you mentioned, that there are a lot of webinars that are jointly run. I myself host a product expert trainings that is dedicated to partners where we invite the partners and we show the latest updates. So I host myself a session on sustainability and artificial intelligence two times a year. Even talking about those sessions and enablements, what are the top enablements or let's say, highlights that come to your mind for it?

Shahd: So the good news is that there is multiple, just plenty of enablement that are available for those who are interested to know more. We have two openSAP courses. The first one is on Circular Economy in general, talking about the concepts of moving from a linear economy to a circular economy, etc. And the second one is Design for Circularity. Because let's not forget we were talking about this Responsible Design and Production. There is two elements to it. The first one is handling or targeting these regulations and schemes and the plastic tax component of it. But there's also the second component, which is now on the roadmap, which is designing for circularity and becoming, you know, starting early on in the process to make sure that products that we are producing are staying longer in the value chain. There's also multiple learning journeys on partner edge, so our customers or partners can look there and find detailed product learning journeys, and we also hold regular webinars. Now we also hold maybe monthly webinars on different topics, whether it's Update or Q&A's with some of the partners that are into their integration phase, or whether they are just general zero knowledge sessions for, you know, whoever is interested to learn more about the solutions.

Talal: So for to all the partners listening to our podcast today, if you would like to look for more information, go to the Partner Edge platform. Since we are talking a lot about partners and how it's implemented, Accenture story, how it plays with SAP and how important it is for everyone, I would also like to ask Neena, especially you, how did you see a success story of it? How there is a business case that is successfully implemented? How can you put some real implemented case on it? What's your take on it?

Neena: We actually have a good success story. And our client is a global consumer goods company, was looking for a solution that met the requirements of this Plastics Taxes, EPRs and some of the circular economy issues. So we met with them last year and they had a number of challenges that they wanted to fulfill that the current systems and processes were unable to meet, and mainly due to the complexity of some of these regulations that are coming up. And of course, they were worried about the Spanish plastics tax that was coming into regulation on January 1st of this year. So we put a plan together for them and our methodology included kind of looking at the EPR and plastics taxes as a whole, looking at all of the countries that they operate in and what those regulations were, but also looking beyond just plastics and looking at other material types such as glass, wood, cardboard, because you know, those are also included in packaging materials. And then we kind of put a plan together and our clients started with the Spanish plastics tax implementation, and they went live with that solution in February of this year so that they could declare the January plastics taxes already. So it was a good implementation there, you know, in the second phase now. But I think this is a good story and a reminder for everybody that there are solutions out there. But doing this manually going forward because that's basically the other alternative. If you didn't have a solution and technology to address this. And so with the growing number of regulations coming up, the manual intervention path is not going to be a good, viable option anymore.

Talal: Definitely that makes sense. Manually accounting for a small business or a small firm is going to be a challenge. But talking about multinational corporations dealing in volumes of hundreds of tonnes, it's just impossible. And also an interesting take that the EPR regulations are not just plastic taxes that we need to keep in mind. It's also about other packaging material like cardboard glass and everything that we see basically in our supermarkets. Very interesting to keep in our mind. I would also like to touch on some advice

for other businesses that they are looking into. In my podcast or all of my topics, I always like to take it more of a learning side into it. If a business owner is listening right now and they want to embrace circular practices and effectively manage EPR schemes and producer responsibility schemes and plastic taxes with support of SAP and Accenture, what would be your advice on it? Let's go one by one from Accenture side so you can go first. What's your take on it?

Emmeline: I would encourage listeners to be reassured by the timing of these conversations and the rollout of RDP. I think there's really never been a better time to take action at speed and at scale. So super excited to have the success story that Neena shared. You know, be one illustrative example of many as the industry makes that shift and circular transition. I would be remiss if I did not mention that Accenture and SAP have published a joint POV on this topic. The Future of Packaging in the Circular Economy - Five Actions for Long Term Success. The POV really takes a look at what's working, what's not working, and actions that consumer goods companies in particular can take to accelerate their circularity programs. That's available on both organizations websites. But just to also touch on something that Neena mentioned with other material categories. You know, this is really just the beginning. We're seeing similar traction in completely different industries and material categories that have some quite exciting potential. So I would say watch this space.

Talal: Thank you so much. That's a good take on it. Neena, quick word from you. How do you see it?

Neena: Get your data ready. So for all of those out there, get it ready and get it ready early. We just know that a good portion of the data that you need for these solutions are going to come from your SAP system. No doubt about that. But there's also some elements that you have to rely from outside your organization, such as the suppliers, and those do take time. So you need to account for that. When we do something, we always do a data assessment that includes a detailed data mapping exercise. So we'll let you know what you have, what you're missing, what you need to go get from other third parties. And having the right data is very critical to the success of what we're doing in this space right now.

Talal: Absolutely. That's a good learning. Get your data ready because the data never lies, you know? Interesting take. Thank you so much for sharing your insights on navigating schemes and plastic taxes and highlighting the valuable partnership that SAP and Accenture share. Also, it's been an enlightening conversation. Before we move to an end, I would like to thank all of the guests from the Accenture side and also my colleague joining us from Dubai office from partner side. I'm glad to have you all on the podcast today. We are now truly touching the different aspects of sustainability, hoping the term circular economy and producer responsibility and plastic taxes begin to make more sense for everyone. Thank you, Emmeline.

Emmeline: Thanks for having me, Talal.

Talal: And Neena.

Neena: Thank you for having me as well.

Talal: Thank you, Team Accenture. And also special thanks to my colleague Shahd.

Shahd: Thank you, Talal. Always a pleasure.

Talal: It was amazing for all of you to join. And for our listeners, feel free to drop us an email via insides4@sap.com and let us know which topics are of your interest. Tune in next time for Inside SAP S/4HANA.

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