

SAP LICENSING AFTER THE DIAGEO RULING **THE IMPORTANCE OF KNOWING YOUR INTERFACE ENVIRONMENT**

Interfaces are critical for business processes since they serve the information exchange within your system landscape and with external communication partners. A current and complete interface documentation is an indispensable basis for the interface monitoring as well as planning and implementation of landscape changes, e.g. in the context of technical and business transformation projects. Moreover, not documented and obsolete interfaces can pose security risks; outdated and incompatible interfaces can lead to considerable disturbances of business activities.

Understanding your interface environment has become significantly more important following the recent decision by the United Kingdom High Court in the lawsuit between SAP UK Limited and Diageo Great Britain Limited. SAP claimed over £54 million in additional license and maintenance fees for users accessing Diageo's SAP installation through interfaced applications. The court agreed with SAP's claim that indirect access entitled SAP to additional fees with the exact amount to be determined based on Diageo's corporate licensing terms or SAP's price list.

SAP UK vs Diageo – The Back Story

Diageo is a global leader in alcoholic beverages with over 32,000 employees worldwide and revenues of over £10 billion annually. It owns a broad range of international and local brands, including the top two largest spirits brands in the world, Johnnie Walker® and Smirnoff®, and 20 of the world's top 100 spirits brands.

Diageo had paid SAP over £50 million in license and maintenance fees for the use of mySAP® Business Suite and SAP Exchange Infrastructure software engine. In 2011 and 2012, it integrated mySAP with two new software systems, Gen2® and Connect®, using a platform provided by Salesforce.com and SAP's Exchange Infrastructure. Gen2 is an application which manages the operations of Diageo sales and service representatives, enabling them to manage their customer visits and calls, and to record information obtained during those visits and calls. Connect enables customers to manage their business accounts with Diageo, and to place and review orders directly, rather than through call centers.

SAP's standard license terms tie the amount of license fees payable to usage. Usage is determined by any direct or indirect use or access to its software. SAP claimed additional fees based on Diageo's API-based access to its software from the Gen2 and Connect system. The court determined that the indirect access of the SAP software through an interface portal triggered the provisions of the SAP license agreement requiring the payment of additional license and maintenance fees based on Diageo's corporate pricing or SAP's price list.

While the final outcome of this case is yet to be determined – it may be appealed, the parties may settle or the amount demanded by SAP may be reduced – this decision further increases the uncertainty SAP users face with regard to the licensing issue and indirect access to their systems. SAP user groups are currently communi-

cating with SAP to find a long-term solution to this issue. As a result of the complexity of the underlying issues, a resolution is not expected before mid-2017. At this point, the assumption must be that indirect access to SAP's system through interfaces, especially for license agreements entered after 2010, may very well result in additional – and potentially significant – license and maintenance fees payable to SAP.

Therefore, it is crucially important that SAP customers understand all variables that may trigger the SAP license language in scenarios involving the integration of third party products into their SAP landscape.

An Important First Step

One of the most important first steps in determining the potential for liability and additional fees under the SAP license structure is to quickly and accurately understand the interface environment that exists in a customer's SAP installation. Interfaces are the "doors" which allow access and the flow of data into and out of an SAP system. They also are the mechanisms that may trigger the license fees for indirect users under the SAP license agreements. Unfortunately, many businesses do not have accurate information about their interface landscape. They are exposed to significant risk, including licensing, security and compliance.

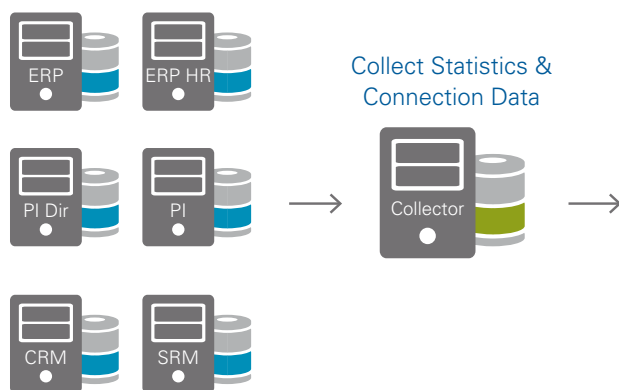
It is essential that customers scan their systems to obtain an accurate picture of all existing interfaces. There are different methods to conduct interface scans. The most likely method deployed is a manual review and system check. A manual process is not the right solution. It is a labor-intensive, time-consuming and overall inefficient process with an extremely high likelihood of inaccuracies.

Typical problems that businesses encounter when they attempt to assess their interface environment are:

- There is a general lack of knowledge on the type and number of interfaces
- The documentation on existing interfaces is non-existent, incomplete or out-of-date
- Knowledge about essential interfaces is not centrally accessible
- Monitoring tools do not exist or do not provide all needed information
- There is no adequate graphical representation of the interface topology
- Overall risk assessment is difficult
- When SAP interface usage information is available, logs are often scattered or periodically deleted making a central evaluation impossible
- Many data sets are irrelevant and are missing filters and manual analysis and evaluation is cumbersome, costly and frustrating

As accuracy and speed are of the essence, SAP customers should only use proven and automatic solutions and services, such as the SNP Interface Scanner developed by SNP AG, which produce accurate results. An effective automated interface scanning solution should offer at least the following functionality:

- Automatic and ad-hoc documentation of the interface landscape
- Coverage of all SAP-supported protocol types
- Availability of standard out-of-the-box prefabricated queries
- Ability to allow creation of customer-specific queries
- Graphic and tabular representation of query results
- Export of results to standard applications, such as Microsoft® Excel, Adobe® PDF and HTML
- Minimally invasive installation and operation of the scanning application



SAP System Landscape

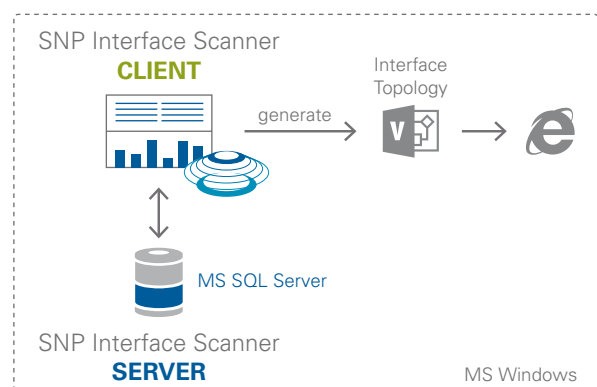
A proper scan must enable an analysis of the communication infrastructure, including

- Change history of systems, connections, usage statistics
- “Where-used” analysis
- Unusual changes in usage statistics or deviations of the call frequency
- Identification of unused connections
- Connections to sensitive systems, e.g. HCM
- Security and access audit to protect system and data
- Analysis based on business-specific criteria

Once the data has been collected regarding the interface environment, it must be made actionable by a thorough review of all stakeholders. This includes the IT department, risk & compliance, finance and legal. The data should be made available in graphical and tabular form to allow for the most impactful and easily understood presentation to the various stakeholder groups. Based on the data obtained through the interface scan, the customer can determine which interfaces are being used, who the users are and what kind of traffic goes through the interfaces. In addition, the scan should show which interfaces are no longer necessary.

The results of the review are extremely important as they allow the customer to assess the overall exposure for potential additional license and maintenance fees payable to SAP. Without a thorough understanding of the existing interface landscape and its usage, SAP customers open themselves to potential liability similar to Diageo. The result of the review can, if desired, also be used as factual data in potential negotiations with SAP.

The initial scan and assessment will establish an accurate baseline. As a matter of a business’ ongoing IT diligence, the interface infrastructure should continuously be monitored with at least monthly re-scans and re-assessments. This step is equally important and will ensure ongoing compliance.



Transparent, Verifiable, Long-term Optimization

In addition, the interface scan and the resulting data regarding usage will allow businesses to review their licensing structure and to optimize their SAP license management, not just with regard to indirect usage, but also core named-user and engine licensing. Deploying a specialized analysis and optimization tool like samQ allows SAP customers to assign their named-user licenses based on the users' actual behavior in the SAP systems rather than allocating licenses according to authorizations. Thereby, the existing license inventory can be leveraged up to 40 percent more cost-effectively, enabling customers to avoid true-up costs while moving away from expensive licensing costs toward a more sustainable model. Particularly in regard to indirect use, accurately defining your license position will afford you with options to strategically mitigate the financial risks stemming from any exposure. A licensing optimization tool should provide the following main functionality:

- Optimization of periodic licenses for all SAP systems
- Find and deactivate inactive, redundant and unused users
- Automatically assigning of licenses based on system activities
- Continuously tracking of license „consumption“
- Dashboard with license details and history
- Analysis of indirect use and use by third-party software

Other Benefits and ROI Results from Interface Data Analysis

The Diageo decision has stressed the importance of interface data for the purpose of license compliance. There are, however, other significant benefits that result from an initial scan and ongoing maintenance of the interface information.

Overall System and Data Security

According to current surveys, data and system security is the number one concern for CIOs and CFOs. Concerns about potential system breaches are warranted. The cost of such breaches in terms of damage control, system downtime, impact on the business brand and the financial impact are significant. While system security is a very complex issue, an accurate survey of all interfaces is a very simple first step that businesses can take to improve the overall sanctity of their system. Businesses need

to identify all outgoing and incoming interfaces between their applications in the outside that could potentially expose the system to outside attack. It is almost impossible to properly secure a system if one does not know which interfaces exist to the outside.

Compliance

As interfaces open the system to the outside, knowledge of the interface environment is a crucial aspect in any system compliance audit and assessment. Connections to sensitive systems can be tracked and usage monitored. Unused connections can be eliminated to reduce compliance and security risks.

System Management and Documentation

In addition to giving a business a full overview of the interface landscape, interface scanning can be used on an ongoing basis to remove:

- Unused/insecure RFC connections which were left-over from previous projects
- Inappropriately implemented custom interfaces generating huge overhead
- Unknown (remote) systems connecting into the SAP production system
- Communication from decommissioned systems to the SAP productive system

Many interfaces are often not properly documented. Ongoing interfaces scanning and assessment supports overall Enterprise Architecture Management, ongoing monitoring and uninterrupted operations. It also facilitates planning and changing IT infrastructure, including system upgrades, migrations and preparing for potential large transformation events, such as system upgrade, system carve-out or system merger.