

Oracle Fusion Cloud Sustainability

Statement of Direction

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Table of contents

Disclaimer	2
Introduction	4
A Note on Terminology	4
Sustainability Disclosure Regulations and Standards	4
Technology as an enabler to advance sustainability initiatives	5
Looking ahead: Oracle Fusion Cloud Sustainability	7
Target scope for the first phase	8
Flexibility	9
Automation	9
Integrations	9
Contextualized data	9
Auditability	9
Prebuilt dashboards and custom analyses	10
Measuring progress, scenario modeling, and planning	10
Roadmap	10
Conclusion	10

Introduction

Corporate sustainability has become a high priority as governments, regulators, investors, and other stakeholders increasingly seek to hold businesses responsible for their impacts on the environment, the climate, natural ecosystems, and the well-being of communities and individuals. Pressure is rising for companies to report on and address the financial risks and opportunities they face regarding physical and transition impacts of climate change. Increasingly, sustainability reporting is becoming mandatory for organizations around the world. More importantly, stakeholders want to see credible and accelerated progress toward sustainability targets.

At Oracle, sustainability encompasses a broad range of practices and initiatives, both in our own operations and in our solutions for customers. Oracle seeks to [operationalize sustainability](#) in a companywide effort to protect natural resources and minimize adverse climate impacts. We are committed to strong governance practices and to creating a workplace where all kinds of people can do their best work. Oracle is also committed to delivering innovative cloud technology to accelerate meaningful change.

As part of that latter commitment, Oracle already provides several technologies that empower our customers to meet their sustainability goals, and we are building additional capabilities that allow customers to leverage our comprehensive enterprise software applications even more.

A Note on Terminology

In 1987, the United Nations defined “sustainability” as “meeting the needs of the present without compromising the ability of future generations to meet their own needs.” While the term “sustainability” is sometimes used to refer exclusively to environmental topics, we follow today’s common usage of the term to refer to a broad range of environmental, social, and governance (ESG) concerns. This usage reflects the fact that environmental, social, and governance issues are interrelated in complex ways, and that achieving a truly sustainable future requires that all three areas be addressed in concert with one another. For the purposes of this document, the terms “sustainability” and “ESG” are equivalent.

Sustainability Disclosure Regulations and Standards

Corporate sustainability and finance officers are aware that recent months have seen an acceleration in sustainability disclosure regulations at all levels of government, as well as a harmonization of multiple reporting standards. For example:

- In the European Union, the [Corporate Sustainability Reporting Directive \(CSRD\)](#) requires companies to report in compliance with the [European Sustainability Reporting Standards \(ESRS\)](#).

- In the United States, the [US Securities and Exchange Commission \(SEC\)](#) has proposed rules to enhance and standardize climate-related disclosures for investors.
- [California's Climate Corporate Data Accountability Act](#) requires companies doing business in California to disclose their greenhouse gas emissions.
- The [International Sustainability Standards Board \(ISSB\)](#) has issued its first two [IFRS® Sustainability Disclosure Standards](#), which incorporate the [Taskforce on Climate-Related Financial Disclosures \(TCFD\)](#) recommendations, support the [Sustainability Accounting Standards Board \(SASB\)](#) standards, and have planned interoperability with the [Global Reporting Initiative \(GRI\)](#).
- Disclosure regulations are also in place or proposed in other jurisdictions, including the United Kingdom, Australia, Malaysia, the Philippines, and Brazil.

Many of these regulations require rigorous auditing of sustainability reports, and some (such as the European Union's CSRD) are explicitly intended to drive improvements in corporate impacts on the planet, ecosystems, and communities.

Technology as an enabler to advance sustainability initiatives

Technology plays a key role in advancing humanity's efforts to address climate change and sustainability more broadly. To meet organizational sustainability ambitions and address the associated challenges, companies need enterprise software that embeds sustainability in the bones of their finance, procurement, supply chain, manufacturing, and human resource operations. When sustainability metrics are integrated into these essential operations, data are readily available for analysis, giving people at all levels of the organization the awareness and tools to accelerate progress toward sustainability goals.

At an infrastructure level, organizations can improve their environmental performance by leveraging the high efficiency of the [Oracle Cloud](#). Delivering computing technology as a service also aligns with the goal of building a circular economy. Every year Oracle either reuses or recycles more than 99 percent of the retired hardware collected.

[Oracle Enterprise Performance Management \(EPM\)](#) can be configured to [collect and manage ESG data](#) from multiple sources. The same Oracle EPM features that many companies rely on for financial management, planning, and reporting can be leveraged for ESG. For example:

- Customers need the flexibility to align to multiple reporting provisions. Given the mandatory nature of local laws, and voluntary decisions to adopt additional reporting provisions, we believe our customers should have flexibility in *what* and *how* they report. EPM Narrative Reporting lets customers combine data visualizations with textual narrative in a

single report and gives organizations the flexibility to author sustainability reports for all purposes, in alignment with any standard.

- Organizations can use EPM Planning to perform scenario modeling and turn ESG goals into short- and long-term plans, align initiatives across their operations, and make decisions based on an integrated understanding of sustainability, finance, and operations.
- EPM's access control, process management, and approval features provide a disciplined reporting process, allowing teams to collaborate securely on reports and monitor progress, with changes tracked in a full audit trail.
- EPM Insights helps to monitor ESG data and uses built-in pattern recognition to provide alerts regarding anomalies or material variances, allowing decision-makers to take corrective action in a timely manner to keep progress on track toward ESG goals.

[Oracle Human Capital Management](#) (HCM) includes solutions for many aspects of sustainability related to the workforce, including diversity and inclusion, talent development, workforce management, health and safety, and corporate culture management. Pre-built dashboards for diversity and inclusion allow companies to track their progress toward diversity goals at every level of the organization, and diversity metrics are embedded in HCM to help foster diversity as a value throughout a company.

Within [Oracle Enterprise Resource Planning](#) (ERP), one example of an application that supports sustainability is [Oracle Risk Management and Compliance](#), which provides built-in health and safety features with simple workflows that can be deployed in a matter of days. These capabilities can be used to execute against an organization's commitment to health and safety and help ensure accurate ESG disclosures. For more information, see [Health and Safety ESG disclosures](#).

[Oracle Supply Chain Management](#) (SCM) also provides critical built-in capabilities that help organizations design for the environment, support product lifecycle circularity, and improve supply chain efficiency. Oracle SCM provides features for viewing and comparing suppliers' sustainability performance, supporting the ability to source materials ethically. Functional practitioners can monitor the efficiency and sustainability of their end-to-end supply chain, from planning, sourcing, production, and packaging all the way through to shipping, distribution, and ultimately product take back. Oracle SCM drives the reduction of carbon footprints by maximizing resource efficiencies and optimizing distribution networks.

[Oracle Fusion Data Intelligence Platform](#) provides cloud native analytics for the Oracle Fusion Cloud Applications. The platform brings together business data, ready-to-use analytics, and prebuilt AI and machine learning (ML) models to deliver insights and accelerate the decision-making process for actionable results.

Case studies of customers using Oracle to specifically achieve their sustainability objectives are available at www.oracle.com/sustainability/customers/.

Looking ahead: Oracle Fusion Cloud Sustainability

Customers at all stages of their sustainability journeys consistently tell us that their greatest challenge when it comes to understanding their sustainability performance and making impactful progress toward sustainability goals is gathering and organizing the required data. The data typically reside in multiple disparate systems, with all the attendant real-world problems of duplicates, gaps, and inconsistent formats.

To help customers address this challenge, Oracle is developing Fusion Cloud Sustainability, a solution for capturing and managing the sustainability data associated with environmental, social, and governance activities. Fusion Cloud Sustainability will be deeply integrated with the Fusion applications that customers already use to manage day-to-day operations. It will provide decision makers at all levels of an organization with the up-to-date, accurate, thorough data they need to accelerate progress toward sustainability goals and support a transition to more sustainable business models.

For customers who already use Oracle EPM for sustainability planning and reporting, Oracle Fusion Cloud Sustainability will complement EPM's capabilities by providing EPM with transactional sustainability data sourced directly from the Fusion applications. Data from Fusion Cloud Sustainability can be mapped into existing planning and reporting structures in EPM.

Fusion Cloud Sustainability will allow an organization to:

- **Define environmental, social, and governance activity types**
- **Capture environmental data** at a granular level in new Fusion entities and attributes
- **Create sustainability activity records** automatically from Fusion application transactions
- **Import activity data of all types** from external sources
- **Calculate emissions** (e.g., greenhouse gases and air pollutants) using configured emission factors
- **Manage activities** using a built-in dashboard and UIs to view and edit activity records
- **Post activities to a Sustainability Ledger:** an auditable record of all sustainability activities
- **Automatically export** the Sustainability Ledger to **Oracle Fusion Data Intelligence Platform** and view dashboards with predefined sustainability KPIs
- **Import data** from the Sustainability Ledger to **Oracle Enterprise Performance Management** for goal setting, scenario planning, and narrative reporting

By capturing more sustainability data in our finance, procurement, supply chain, and workforce management applications, and leveraging analytics on these native data elements, we'll help customers to:

- Build sustainability awareness and measurement into their organizations' operations
- Streamline the data collection process
- Drill back from summarized metrics into the underlying transactional data to get the context needed to drive impactful decisions
- Demonstrate traceability to auditors

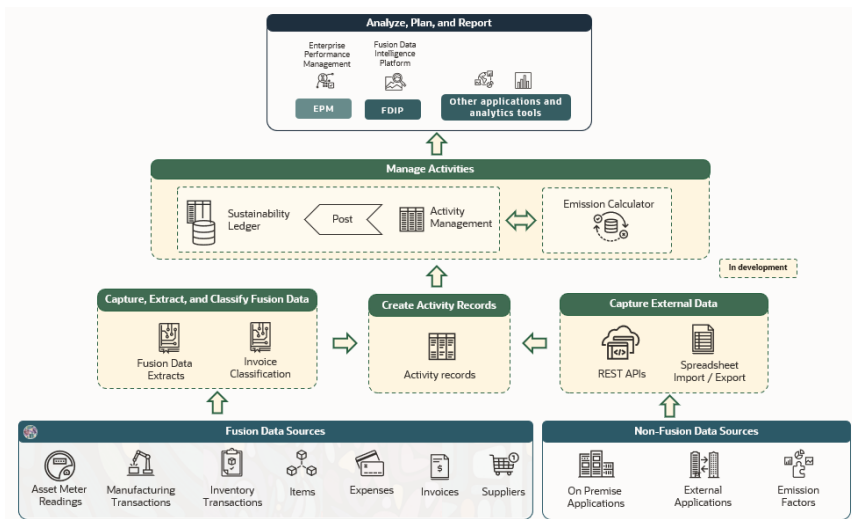


Figure 1. Oracle Fusion Cloud Sustainability: conceptual flow

Target scope for the first phase

For the first phase of Oracle Fusion Cloud Sustainability, we are targeting the following capabilities:

- Ability to define environmental, social, and governance activity types with associated attributes and measures
- Ability to use rules to classify Oracle Accounts Payable invoices into the appropriate activity types, and automatically create activity records from the classified invoices
- Ability to import activity data from external sources using REST APIs and spreadsheets
- Framework for mapping activity records to emission factors, including the ability to rank the mappings
- Emissions calculator that automatically calculates emissions for any type of activity using emission factors and Global Warming Potentials, performing required conversions of units of measure or currencies
- Accelerators that help customers configure common environmental activity types (for example, *stationary combustion*, *mobile combustion*,

purchased energy, purchased energy instrument, purchased goods and services, waste generated in operations, water withdrawal), emission factors, Global Warming Potentials, and reference data such as vehicle types, fuel types, and spend types

- A user interface to view activity summaries, search for and filter activities, view activity and calculation details, and edit activities
- Sustainability Ledger with a calendar, periods, and a period close process
- Prebuilt KPIs for energy, emissions, water, and waste in Fusion Data Intelligence Platform

Flexibility

While most customers need to capture common activity types such as those associated with Greenhouse Gas Protocol emission calculations, almost every customer we speak with also describes activity types specific to their business processes, operational processes, or sector. Fusion Cloud Sustainability will be a product framework capable of capturing and managing environmental, social, and governance data associated with any type of activity.

Automation

Oracle Fusion Cloud Sustainability will create activity records automatically from Fusion transactional data using approaches such as classification rules, sustainability metadata attributes, and AI.

Integrations

In addition to its deep operational integration with the Fusion applications, Oracle Fusion Cloud Sustainability will accept activity data from external sources via REST APIs and spreadsheets, affording flexibility for customers whose data reside in multiple places, including non-Fusion Oracle applications and non-Oracle applications. In addition, external applications will be able to use REST APIs to retrieve activity data from Fusion Cloud Sustainability.

Contextualized data

To make decisions that drive progress toward their sustainability goals, organizations need to understand the context behind performance metrics. Sustainability activity records will provide a connection all the way back to the underlying transactional data in Fusion, providing visibility into which assets, processes, suppliers, or products need attention. The insights afforded by this connection to the source data will only be possible because Oracle Fusion Cloud Sustainability will draw on operational sustainability data embedded in the Fusion applications.

Auditability

The Sustainability Ledger will be a record of all activities and events identified as having a sustainability impact, along with any associated emissions. Once a

record is posted to the Ledger, no one will be able to update or delete it; any adjustment will be a new record with a reference to the original. The Ledger will provide the rigor needed in a market landscape with increasing regulatory vigilance around sustainability reporting. This will become even more important as regulations requiring financial-level auditing of sustainability reports take effect.

Prebuilt dashboards and custom analyses

Oracle Fusion Cloud Sustainability will automatically export data to support prebuilt dashboards for sustainability KPIs in Fusion Data Intelligence Platform, offering a holistic view of an organization's sustainability performance and allowing drilldown into the underlying details. Customers will be able to add custom analyses and dashboards that provide the views they need, whether by geography, organizational unit, time, or custom attributes. These analyses will offer insights that can drive tactical decisions – for example, which facilities need better energy reduction plans, which suppliers to engage regarding emission reduction programs, and which regions need more recycling initiatives.

Measuring progress, scenario modeling, and planning

Measuring current sustainability performance is only the first step toward the real goals of reducing emissions and closing gaps in other areas. While Fusion Data Intelligence Platform will help customers understand how their organizations have been performing up to the present, the native integration between Oracle Fusion Cloud Sustainability and Oracle EPM will allow companies to leverage EPM's scenario modeling and planning features to set appropriate targets and drive progress toward sustainability goals.

Roadmap

The roadmap for Fusion Cloud Sustainability includes support for:

- Creation of product carbon footprints and transfer of footprint data across a value chain
- Capture of environmental data from [Oracle Fusion Cloud Maintenance](#) assets
- Exposure of summarized and interpreted sustainability data in the Fusion applications
- Product lifecycle and circularity metrics
- Air, land, and water pollution metrics
- Biodiversity metrics
- Sector-specific and project-centered sustainability performance

Conclusion

Oracle Fusion Cloud Sustainability will provide a unifying approach that builds on the capabilities that already exist in Oracle's enterprise applications to help organizations understand their sustainability performance. By capturing

sustainability data within the Oracle Fusion applications and leveraging Oracle Data Intelligence Platform and Oracle EPM, we will provide organizations with the integrated data and analytics they need to make impactful decisions that advance their progress toward sustainability goals.

This Statement of Direction represents our current strategy, Oracle will continue to consult with customers, partners, and analysts to prioritize and evaluate the content of future updates.

For more information on sustainability at Oracle, visit www.oracle.com/sustainability.

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