

Oracle Fusion Cloud ESG

Statement of Direction

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Introduction

Corporate reporting on environmental, social, and governance (ESG) performance is becoming a high priority as governments, regulators, investors, and other stakeholders increasingly seek to hold businesses responsible for their impacts on the environment, the climate, and the well-being of communities and individuals. Pressure is rising for companies to report on the financial risks and opportunities they face regarding physical and "transition" impacts of climate change. Increasingly, ESG reporting is becoming mandatory for organizations around the world.

Oracle itself seeks to [operationalize sustainability](#) in a companywide effort to protect natural resources, minimize adverse impacts, and lead the way toward a more sustainable future. 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 ESG goals, and we plan to build additional capabilities that allow customers to leverage our comprehensive enterprise software applications even more.

Technology as an enabler to advance ESG initiatives

Technology plays a key role in advancing humanity's efforts to address climate change and sustainability more broadly. To meet organizational ESG ambitions and address the associated challenges, companies need enterprise software that embeds ESG in the bones of their finance, manufacturing, procurement, and human resource operations. When ESG 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 support the overall ESG goals.

At an infrastructure level, organizations can improve their environmental performance by leveraging the high efficiency of [Oracle Cloud](#), for which we have a goal of carbon neutrality by 2025. Delivering computing technology as a service also aligns with the goal of building a more circular economy. Every year Oracle either reuses or recycles over 99.6 percent of the retired hardware collected.

Oracle's [ESG reporting and planning solution](#), built on Oracle Fusion Cloud Enterprise Performance Management (EPM), allows customers to collect and standardize ESG data from multiple sources and manage all their ESG data in one place. Once an ESG baseline is established, organizations can model short- and long-term sustainability goals, align initiatives across their operations, and make decisions based on an integrated understanding of ESG, finance, and operations. With legislation on the rise, customers need the flexibility to align to multiple reporting provisions. In the European Union, the [Corporate Sustainability Reporting Directive \(CSRD\)](#) requires companies to report in

compliance with [European Sustainability Reporting Standards \(ESRS\)](#), and in the United States, the [US Securities and Exchange Commission's \(SEC\)](#) has proposed rules to enhance and standardize climate-related disclosures for investors. In addition, there are many standards, guidelines and frameworks for reporting progress on ESG performance, such as the [Global Reporting Initiative \(GRI\)](#), the [Sustainability Accounting Standards Board \(SASB\)](#), the [Taskforce on Climate-Related Financial Disclosures \(TCFD\)](#), and proposals from the [International Sustainability Standards Board \(ISSB\)](#). 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. Oracle EPM gives organizations the flexibility to author sustainability reports for all purposes, in addition to the process management capabilities, internal controls, and visibility that are key to a disciplined reporting process.

[Oracle Human Capital Management \(HCM\)](#) includes solutions for many areas under the “S” of ESG, including talent development, workforce management, health and safety, diversity and inclusion, and 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 Fusion Cloud ERP](#), one example of an application that supports ESG 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 Analytics](#), a family of prebuilt, cloud native analytics for Oracle Cloud Applications, provides line-of-business users with ready-to-use insights to improve decision making. Data from non-Oracle sources can be uploaded and included along with the pre-built analytics, enabling analysis of data from multiple sources.

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

Looking ahead: Oracle Fusion Cloud ESG

Customers at all stages of their ESG reporting journeys consistently tell us that their greatest challenge regarding ESG reporting 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. Oracle plans to help customers address this challenge by creating Fusion Cloud ESG, a solution that will be deeply integrated with the Fusion applications that customers already use to manage day-to-day operations. Fusion Cloud ESG will provide decision makers at all levels of an organization with the up-to-date, accurate, thorough data they need to drive progress toward ESG goals.

Fusion Cloud ESG will allow an organization to:

- **Capture environmental data** such as consumption of energy, fuel, and water, generation of waste, environmental attributes of products, and supplier emission intensity in new ESG attributes within Fusion applications
- **Capture environmental, social, and governance data**, including compliance with human rights, labor, and anti-corruption requirements, from supply chain partners
- **Extract** ESG-relevant ERP and SCM transactions using metadata and AI to minimize manual inspection
- **Convert** transactions to records of activities with ESG impact
- **Import** data from external sources
- **Calculate** emissions (e.g., greenhouse gases and air pollution)
 - Using customizable logic, with predefined Greenhouse Gas Protocol calculations
 - Leveraging multiple emission factor libraries
- **Adjust** activity records with estimates and corrections
- **Create** an ESG Ledger, an auditable record of all ESG activities with full traceability of changes
- **Export** data on ESG performance to consuming applications such as Fusion Analytics Warehouse, where customers can analyze their ESG data using pre-built dashboards in Oracle Fusion Analytics, and Oracle Enterprise Performance Management, which supports goal setting, planning, and narrative reporting

By helping customers capture more ESG data in our finance, procurement, supply chain, and workforce management applications, and building ESG Analytics on these native data elements, we'll not only simplify the data collection process, but also help customers build sustainability awareness and measurement into their organizations' basic functions.

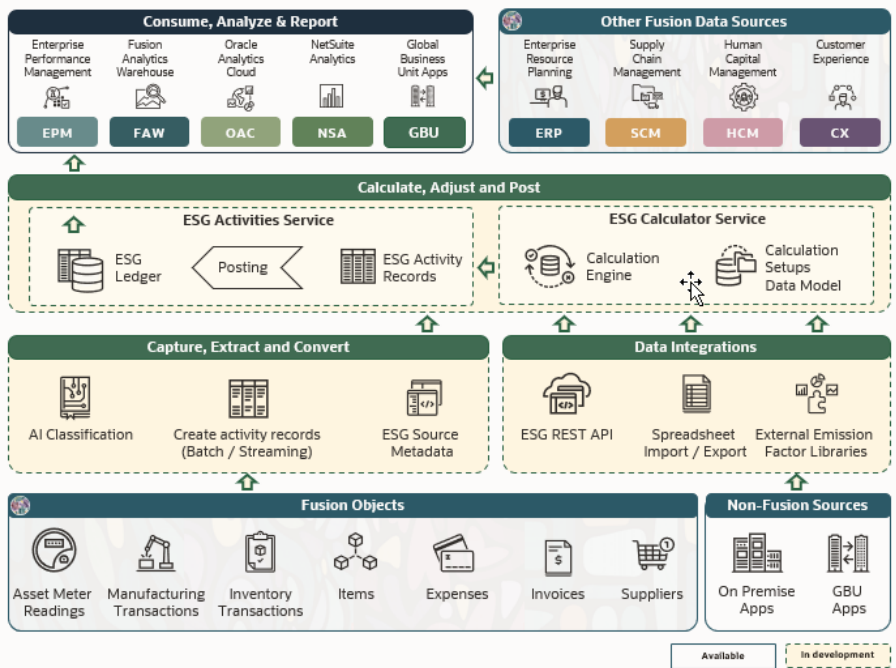


Figure 1. Oracle Fusion Cloud ESG: conceptual flow

Target scope for first phase

For the first phase of Oracle Fusion Cloud ESG, we are targeting topics that apply to most organizations across sectors, focusing specifically on:

- Energy consumption
- Greenhouse gas emissions (Scope 1, Scope 2, and select categories of Scope 3)
- Supplier ESG performance
- Water consumption and discharge
- Waste generation and disposition

Roadmap items include metrics for:

- The remaining Scope 3 emissions categories
- Product lifecycle and circularity
- Air, land, and water pollution
- Biodiversity
- Sector-specific and project-centered ESG performance

Automation

Oracle Fusion Cloud ESG will create activity records automatically from Fusion transactional data based on new ESG metadata attributes and leveraging AI capabilities.

Integration

In addition to its deep operational integration with the Fusion applications, Oracle Fusion Cloud ESG 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 sources. REST APIs can also be used to send ESG activity data to any consuming application, including [Oracle Analytics Cloud](#).

Contextualized data

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

Auditability

Oracle Fusion Cloud ESG will provide, in the ESG Ledger, a record of all activities and events identified as having an ESG impact (with an initial focus on environmental impact), along with any associated greenhouse gas emissions. All changes will be accompanied by audit data to achieve the full traceability needed in a market landscape with increasing regulatory vigilance around ESG reporting. This will become even more important as regulations requiring financial-level auditing of ESG reports take effect.

Organizational boundaries

Oracle Fusion Cloud ESG will allow customers to define organizational hierarchies and allocate activity records to legal entities and business units. In the hierarchy of legal entities, organizations can define the percentage of emissions ownership for each parent-child relationship. This allows for reporting of emissions in alignment with financial reporting hierarchies or using the equity share, financial control, or operational control methods described by the Greenhouse Gas Protocol.

Pre-built dashboards and custom analyses

Oracle Fusion Cloud ESG will export data to support pre-built ESG Analytics dashboards in Fusion Analytics, offering a 360° view of an organization's ESG performance and allowing drilldown from pre-built insights into the underlying details. Customers can add custom analyses and dashboards that provide the views needed, whether by geography, business unit, or time period.

Measuring progress, scenario modeling, and planning

Measuring current ESG performance is only the first step toward the real goal of reducing emissions and closing gaps in other areas. Fusion Analytics will help

customers understand how their organizations are performing. The native integration between Oracle Fusion Cloud ESG and Oracle EPM will allow companies to export ESG data to EPM and leverage EPM's scenario modeling and planning features to make decisions that support their sustainability goals.

Conclusion

Oracle Fusion Cloud ESG will provide a unifying approach that builds on the capabilities that already exist in Oracle's enterprise applications to help organizations understand their ESG performance. By capturing ESG data within the Oracle Fusion applications and leveraging Oracle Fusion Analytics and Oracle EPM, we will provide organizations with the integrated data and analytics they need to make impactful decisions that advance their progress toward ESG goals.

The ESG regulatory and market landscape is highly dynamic. Standards "harmonization" and changes in investor priorities will affect the requirements for ESG reporting. While this Statement of Direction represents the current strategy, Oracle will continue to consult with customers, partners, and analysts to prioritize and reevaluate the content of future updates.

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