INNOVATION GUIDE

Effectively Plan and Report on ESG Initiatives

Environmental, social, and governance (ESG) issues have been climbing up the list of corporate priorities in recent years, but the COVID-19 pandemic has catapulted ESG to the top. In a survey from GlobalData, 67 percent of 1,500 executives surveyed said that COVID-19 has been a catalyst for increased focus on ESG issues. Looking forward, this momentum will continue with more than half (57 percent) stating that ESG would have a high impact on their business.

The pressure to act on ESG issues has increased from all corners, including consumers, shareholders, investors, and regulators. For the general public, global climate change has become a top priority, and people want to see businesses held accountable for their environmental performance. Investors are shying away from fossil fuels and other nonrenewable sources of energy, looking for more green investment opportunities. And employees care about sustainability, social responsibility, and diversity and inclusion and want to work for companies that share those values. In short, a company's reputation often depends on meeting ESG expectations.

The risks of ignoring ESG issues

Organisations that disregard ESG do so at their own peril. Potential risks include:

- **Higher costs of capital**, as poor reporting and planning can make it increasingly expensive to borrow money
- **Loss of reputation**, as poor ESG results can be perceived as a sign of bad management
- **Loss of investors**, as investments funds increasingly look to ESG-aligned funds and company strategies
- **Pricing impacts**, as the cost of higher capital and higher insurance are passed on to buyers
- **Lack of buyer confidence**, especially among the increasingly influential Gen Z market
- **Talent shortages**, as the best employees seek out employers that align to their personal values
- **Compliance violations**, as governments and jurisdictions introduce new regulations or update existing ones

Even corporate leaders themselves face risks, such as compensation penalties or dismissal, if they ignore shareholder complaints on ESG issues.

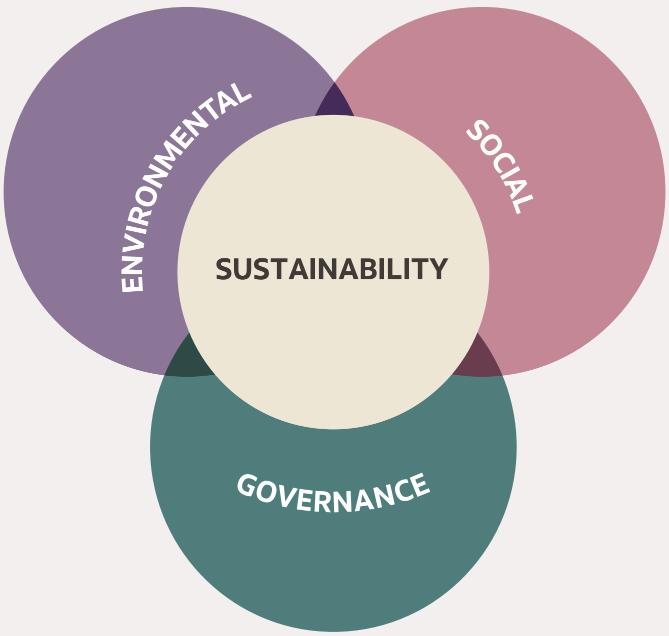
But while the risk of not addressing ESG is considerable, so is the payoff for doing it right. In a recent survey by McKinsey & Company, 29 percent of respondents said they expect to build new businesses with an environmental or sustainability focus.

To track this value, and to demonstrate that ESG is important to your company, you need to set goals and measure your progress toward them. This is why ESG planning and reporting are becoming increasingly important to organisations around the world.

New-business building in 2022: Driving growth in volatile times, McKinsey, November 2022

Best practices for ESG planning and reporting

Reporting on ESG initiatives is no easy task; the data can encompass everything from the gender pay gap to the carbon footprint of your supply chain. Every part of your organisation will generate ESG data. Supply chain, HR, IT, ERP, and other operational systems provide key data at different granularity and different standards, as you can see below. (Figure 1)



ENVIRONMENTAL
- Carbon emissions
- Water intensive operations
- Energy used in facilities
- Product sustainability
- Earnings sensitivity
- Toxic waste

SOCIAL
- Employee wellness initiatives
- Digital upskilling
- Median hourly gender pay gap
- Employee retention
- Gender and racial/ethnic representation
- Supplier labor risks

GOVERNANCE
- Number of female and minority directors
- Board oversight of climate issues
- Executive compensation

Figure 1: ESG reporting covers multiple areas, including (but not limited to) those listed at right.

To plan effectively and report accurately, you need to collect, convert, standardise, and aggregate data for a complete, consistent picture of your ESG programs. Best practices for ESG planning and reporting include:

- ✓ **Understand** internal and external stakeholder expectations to focus on the right issues and priorities
- ✓ **Set ESG Goals** and develop strategic, collaborative, predictive, and structured plans to meet and monitor these
- ✓ **Gathering data** and metrics from across the organisation
- ✓ **Converting** that data **to a consistent framework** so that you can accurately compare KPIs
- ✓ **Consolidating and aggregating KPIs** across the organisation
- ✓ **Analyzing** the results to gain insights into ESG metrics and impact on the business
- ✓ **Reporting** internally to management and externally to stakeholders
- ✓ **Supporting multiple reporting frameworks** For example, the Global Reporting Initiative (GRI) is gaining prevalence in the European Union, but other frameworks are being developed elsewhere

Why is ESG reporting so difficult?

Just looking at the list of best practices for gathering ESG data and creating reports from that data is enough to leave business leaders feeling overwhelmed. Reporting of any kind can be demanding, but ESG comes with a host of additional challenges for the following reasons:

It's evolving

ESG reporting is currently not mandatory, but it will be in the not-too-distant future.

It's complex

It covers a huge amount of information that is continually changing.

It's not cheap

ESG audits will encompass huge amounts of data and are linked to audit fees; there's also the cost of completing the reporting itself.

It's the future

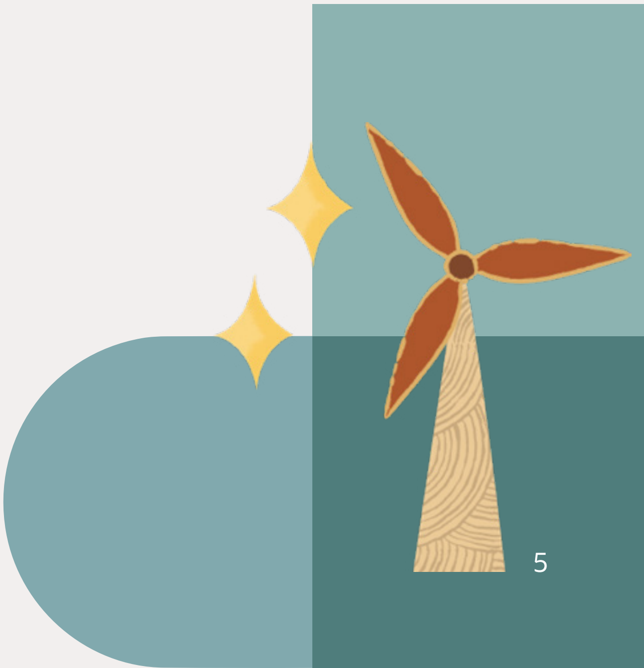
A big part of ESG is the forward-looking aspect. How will your organisation get to your 2030/2050 zero-carbon commitments? How can you plan, monitor, and manage this?

It's far reaching

ESG data covers multiple areas within and outside the organisation.

To get ESG reporting right, it's also important to ask the following questions

- How do you ensure the integrity of your data?
- How can you be confident that you're complying with the latest standards?
- How do you plan, track, and communicate your sustainability agenda to ensure that you can meet future commitments?



How Oracle can help

Oracle has built a solution for ESG reporting within Oracle Cloud Enterprise Performance Management (EPM). It provides a robust platform for analysis and insights, helping managers to truly understand their ESG practices and plans and review and analyse the results. Oracle Cloud EPM combines dashboards, charts, spreadsheets, and narrative into a single solution so you can produce comprehensive reports that not only show your KPIs, but also provide commentary to help your stakeholders understand your targets, blockers, and progress.

But ESG isn't only about reporting. The extensive planning capabilities in Oracle Cloud EPM help you plan for a sustainable future across your company—from workforce compensation and diversity to renewable energy investments and carbon emission reduction—along with the financial implications of each plan. You can compare scenarios side-by-side and decide on the best course of action. You can then roll out these plans to your entire organisation, with meaningful targets and KPIs, so every department can work toward achieving their particular ESG goals.

Oracle EPM helps you

- Create an organisation-wide sustainability plan
- Meet multiple ESG reporting requirements (GRI, SASB, etc.)
- Manage reporting across all ESG stakeholders
- Collaborate across the organisation
- Consistently and automatically consolidate data from all sources, including ERP, HR, supply chain, and other business systems
- Build in accountability with secure process flows and approvals

Oracle Cloud EPM has all the capabilities to help you meet your ESG reporting needs

It's complete.

It's not just reporting ESG metrics. It covers the entire process, including data collection, translation and verification, and auditing and approval, providing narrative around policies, plans, outcomes, principal risks, and key performance indicators (KPIs).

It's connected.

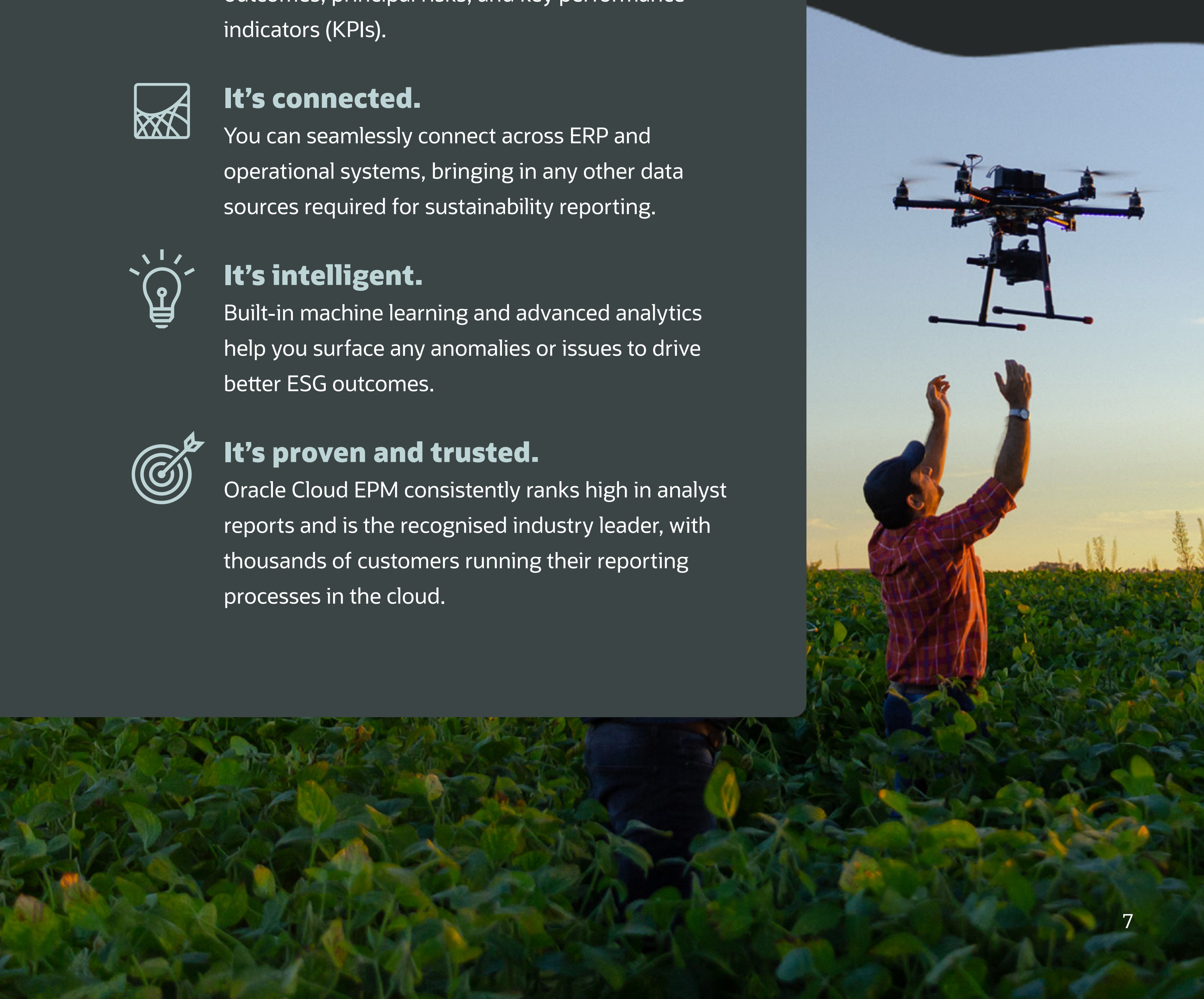
You can seamlessly connect across ERP and operational systems, bringing in any other data sources required for sustainability reporting.

It's intelligent.

Built-in machine learning and advanced analytics help you surface any anomalies or issues to drive better ESG outcomes.

It's proven and trusted.

Oracle Cloud EPM consistently ranks high in analyst reports and is the recognised industry leader, with thousands of customers running their reporting processes in the cloud.



Getting started

Organisations worldwide are eager to demonstrate their ESG commitments and establish their credibility with stakeholders. Oracle offers you a comprehensive solution that helps you plan, manage, and report on your ESG practices. To learn more about Oracle's offerings for ESG Reporting, visit our site, or contact us.