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# ESG Reporting in the Modern Era

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The convergence of finance, data, and technology







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# ESG Reporting in the Modern Era – The Convergence of Finance, Data, and Technology

In today's business landscape, environmental, social, and governance (ESG) practices are no longer just a nice to have. ESG reporting has shifted from being a niche regulatory requirement to becoming a central aspect of corporate strategy, influencing decision-making from the boardroom to the frontlines. Investors, consumers, and regulators are all looking for transparency and sustainability. Moreover, sustainable practices can reduce costs through energy efficiency, waste reduction, and improved resource utilization.

Yet achieving transparency in ESG reporting is no easy task; ESG data collection remains complex, and this is viewed as a very costly exercise for organizations. Finance continues to play an increasing role in sustainability initiatives and reporting. This is primarily since finance has a lot of experience in complying with financial regulations and various reporting standards. Oracle Fusion Cloud Enterprise Performance Management (EPM) for Sustainability, is driving accurate and actionable ESG reporting. For many years, we have helped customers plan for and manage many sustainability initiatives. Examples include a chocolatier planning demand based on ethical sourcing of cocoa beans, a tool manufacturer that reduced its carbon emissions, and an international fast-food company that prides itself on making sure it's people have good career growth opportunities and fair compensation.



# Current key trends in ESG

## 1 Integration of ESG into corporate strategy

Companies are increasingly treating ESG as more than just a compliance requirement or a regulatory burden, integrating ESG into their core strategies. CEOs now see ESG as a way to gain a competitive advantage. Furthermore, companies with strong ESG propositions may have lower exposure to risks such as climate change, which can give them better access to capital, with lower borrowing costs and more favorable valuations.

## 2 Increased regulatory pressure

Global regulations around ESG reporting are tightening, especially with frameworks such as the EU's Corporate Sustainability Reporting Directive (CSRD) and the SEC's proposed climate disclosure rules. Companies that are proactive in aligning with these regulations will be better positioned to avoid penalties and maintain investor confidence.

## 3 ESG as a driver of value creation

ESG is increasingly seen as something that enhances a company's brand reputation and perceived value. ESG-focused companies often see market valuation premiums increase, driven by factors such as lower costs, risk mitigation, and enhanced customer loyalty.

## 4 Technological investment for ESG

The role of technology in ESG reporting cannot be overstated. Businesses investing in advanced enterprise performance management (EPM) platforms such as Oracle Cloud EPM for sustainability are better equipped to handle the complexities of ESG reporting, allowing them to unlock new insights and drive business innovation.

## The growing importance of finance in ESG reporting

Traditionally, ESG reporting was managed by sustainability teams, but finance departments are now taking the lead in aligning sustainability efforts with financial outcomes. CFOs are increasingly responsible for developing and communicating ESG strategies that resonate with both stakeholders and regulators. According to a survey from BDO, 53% of CFOs have embedded ESG principles into their core business strategy or are actively working towards that goal<sup>1</sup>.



## Finance's unique role in ESG

The finance department's strength lies in its ability to manage complex data, help ensure data accuracy, and provide governance and compliance. CFOs can leverage these capabilities to streamline ESG reporting, aligning sustainability metrics with financial data to provide accuracy and transparency. This shift in responsibility is driven by the increasing intersection between financial reporting and ESG disclosures, which are becoming subject to the same level of scrutiny.

As ESG becomes integral to corporate strategy, finance teams are poised to manage and lead this transformation. They already have systems in place to handle complex data, model financial impacts, and provide the rigorous analysis required for comprehensive reporting. This makes finance not only a contributor but a leader in advancing ESG reporting efforts.

### **The complexity of ESG data collection and reporting**

Collecting ESG data is not straightforward. Unlike financial reporting, which has been standardized over decades, ESG reporting is still evolving, and regulations vary widely across



regions and industries. The data for ESG metrics comes from diverse and often disconnected systems—HR, supply chain, manufacturing, and external partners. This complexity is further compounded by the fact that ESG data frequently lacks standardization.

## Key challenges in ESG data collection

### Diverse data sources

ESG data must be gathered from multiple internal systems, such as HR, finance, and procurement, as well as external sources, such as the supply chain or third-party vendors, which increases the difficulty of ensuring data accuracy and completeness.

### Scope 3 emissions

Measuring indirect emissions (Scope 3) is particularly challenging, as it involves tracking emissions across a company's entire value chain. Scope 3 emissions can make up more than 70% of a company's carbon footprint but are often the hardest to quantify.

### Lack of standardization

Unlike financial reporting, ESG metrics vary by region and framework; for example, some organizations are using kilowatts for energy consumption while others use kilojoules. This inconsistency creates a data translation challenge for organizations.

Yet around the world, the need for accurate sustainability data is increasing—and not just to fulfill compliance requirements.

**85%**

In a survey by McKinsey & Company, 85% of Chief Investment Officers state that ESG is an important factor in their investment decisions.

# How Oracle Cloud EPM for Sustainability performs ESG reporting

Given the complexity of ESG data collection and reporting, many companies are turning to technology to streamline the process. Oracle Cloud EPM for Sustainability is an advanced platform that helps companies align their ESG goals with financial and operational performance, transforming ESG reporting into a value-adding process.

## Data collection and aggregation

Oracle Cloud EPM allows companies to ingest data from a multitude of sources and systems, helping ensure consistency across different units of measurement. Having a single record of ESG enterprise data enables you to connect, standardize, and manage the data for a consistent view of metrics.

## Model and Predict

Advanced ML Modeling tools enable companies to predict the financial impact of ESG initiatives, providing visibility into how sustainability goals affect the bottom line. Businesses with integrated ESG and financial strategies are more resilient in the face of regulatory changes and market fluctuations.

## Auditability and compliance

Oracle Cloud EPM provides a full audit trail, so that ESG data can be traced back to its source. This level of accountability is critical as regulatory bodies, like the SEC and the EU, introduce stricter reporting mandates.

## Report and Act

Comply with multiple ESG regulatory and reporting frameworks across different geographies. Oracle Cloud EPM for Sustainability complies with multiple reporting frameworks with the flexibility to add others as needed.

## Real-time tracking

Oracle Cloud EPM offers real-time tracking and analytics, allowing companies to monitor their ESG performance against set goals and make timely adjustments. This is essential for businesses that are serious about meeting their sustainability commitments.

# How Oracle can help

The evolving landscape of ESG reporting presents both challenges and opportunities for businesses. As regulations tighten and stakeholder expectations grow, companies must develop robust strategies for ESG data collection, reporting, and integration. Finance departments, traditionally focused on financial health, are now at the forefront of ESG efforts, ensuring that sustainability initiatives are accurately measured and aligned with business goals.

Oracle Cloud EPM provides a powerful solution for managing the complexities of ESG reporting, enabling businesses to collect, model, and report on ESG data with the same rigor as financial data. By adopting advanced technologies and integrating ESG into their core strategies, companies can not only address regulatory requirements but also unlock new sources of growth and value.

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<sup>1</sup> "Entering a new age of Sustainability," ESG risk & ROI survey, 2024.

<sup>2</sup> "Investors want to hear from companies about the value of sustainability," McKinsey & Company, September 15, 2023.