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# Do more than measure ESG metrics

Manage ESG performance and drive  
sustainable growth with Oracle Cloud EPM

Environmental, social, and governance (ESG) regulations mean more than reporting challenges. They also lead to business challenges. How do you incorporate ESG performance into your planning? Your operations? How do you implement processes and procedures to help ensure your ESG goals are met? How do you make ESG a part of your culture? Above all, how do you move past measurement and tackle management to accelerate your progress and transform your business?

Many point solutions aim to answer these questions, but in the KPMG experience, an EPM Solution is best positioned to answer all of them. Oracle Cloud EPM provides the necessary reporting transparency to stakeholders and regulators and integrates both financial and nonfinancial data. It helps organizations plan and manage their ESG practices, now and into the future. Especially important for existing Oracle customers, it doesn't require the disruptive installation and expense of new systems. In short, Oracle Cloud EPM is the very definition of a core element of ESG: sustainability.

## Linking ESG to finance and operations

When companies first begin to report their ESG data, they focus principally on what past data they need, how to access it, and how to report it in line with regulatory directives. An important focus, yes, but a deeper analysis of the data would enable a forward-looking approach, tying together operational, financial, and ESG planning and enabling closer collaboration across the organization.

Let's say your company decides on a goal of net zero carbon output by 2030. You also want to quintuple your revenue during that same period. The finance target affects ESG planning. During an economic downturn, carbon output declines, but when the economy picks up, will it still be possible to achieve the net zero goal? When the procurement function puts out a tender for transportation services—but requires only electric vehicles—your ESG reporting may improve but your finances may not.

Challenges like these are not uncommon. The World Benchmarking Alliance found that most of the 2,000 global companies in its database are not on track to meet their sustainability goals.<sup>1</sup> Too often, ESG performance is disconnected from corporate profitability, capital allocation, and operational budgeting decisions.

<sup>1</sup>Harvard Business Review, "The Essential Link between ESG Targets & Financial Performance," by Mark R. Kramer and Marc W. Pfitzer, September–October 2022.

# Accelerating ESG decision-making

Integrating ESG into core business models and processes is essential for organizations to advance their ESG initiatives.



That's why an Oracle Cloud EPM solution is especially appropriate. It deliberately links ESG initiatives to an organization's finance function by focusing on four finance areas:



Data and reporting encompass all areas to enhance the systematic identification, collection, and control of ESG data to meet internal and external stakeholder needs.

An EPM approach optimizes for the entire ESG decision making process, as depicted in the cube illustration above, rather than for each area individually. As demonstrated, the five finance focus areas are collaborative and supported by foundational data and reporting processes. This structure delivers improved reporting, planning, and ESG performance across the board.

- **Performance management**
  - Embrace nonfinancial performance metrics
  - Analyze company and individual performance with a balanced set of metrics aligned to financial and ESG goals
- **Decision-making**
  - Ensure capital allocation decision criteria include ESG-focused considerations (e.g., require internal carbon pricing (ICP) in business cases)



- Continuously review ESG key metric forecasting and planning (e.g., ask how ESG goals link to ESG results)
- **Process and behavioral changes**
  - Tie ESG goals to the bonus and compensation structure
  - Establish an internal price on carbon or carbon tax programs to promote ESG-conscious activities
  - Align stakeholders with the impacts of ESG performance management
- **Funding initiatives**
  - Green financing
  - Internal carbon tax to self-fund initiatives
  - ESG tax incentives and offsets

**Case in point:** KPMG has implemented a carbon tax on all corporate travel. When our people travel, they are charged an extra amount that funds internal carbon offset initiatives. In addition to financing decarbonization projects, this tax helps change business decisions. Some in-person group meetings become virtual, for example, if we don't want to incur the cost. Even though the cost is small, the organization-wide impact adds up.

“When you change the culture of an organization to pay attention to sustainability metrics, ESG is no longer just a compliance issue,” notes Jon Chorley, Oracle chief sustainability officer. “When you embed an ESG focus into the core goals of the business, you can drive lasting change.”

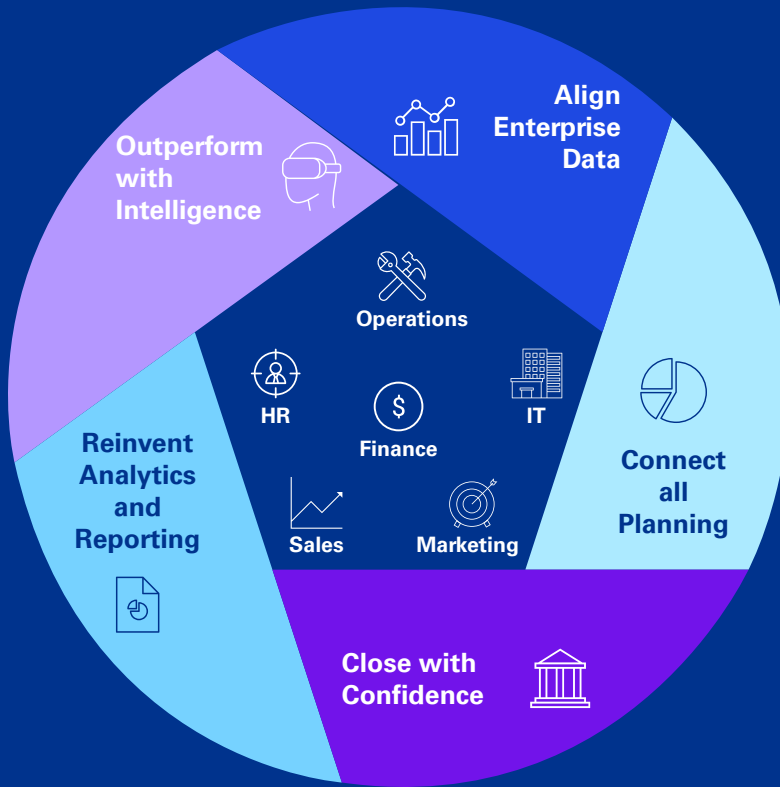
## Connecting the drivers of ESG impact

Oracle Cloud EPM makes clear connections between actions taken and their impact on ESG goals, whether financial or nonfinancial. It can link the metrics for the amount of electricity used or waste produced when more products are manufactured and shipped. In another example, the Oracle solution can determine whether male and female employees are earning comparable salaries for comparable roles and tie those metrics to your external ESG reporting.

All this can be done in one system aligned across enterprise resource planning, human capital management, customer experience, and operational processes for greater agility.



## How Oracle EPM helps manage ESG commitments



Source: Oracle Corporation

Oracle Cloud EPM delivers a single source of truth for sustainability reporting. Progress can be tracked through interactive dashboards and management reports. Built-in intelligence and advanced analytics—including what-if analyses and scenario modeling—improve decision-making.

## Creating new business opportunities

Enterprise performance management changes ESG reporting from a disclosure challenge to a business opportunity, opening up new avenues to plan and improve corporate performance.

When your financial plan projects 5x revenue growth by 2030, for example, your EPM model can help you achieve sustainable growth without impacting your cost of finance. Embedding ESG metrics into performance goals helps the broader business make more carbon-conscious decisions and drives that behavior consistently throughout the organization.

## Transforming your business

KPMG and Oracle together can provide one complete connected experience that unlocks ESG opportunities to enhance trust, mitigate risk, and create new value—all without disrupting current systems and processes.

Working with a wide range of data-driven solutions, technology tools, and deep industry experience, we help clients navigate and simplify the complexities of every stage of their ESG journey.

With increased visibility on the drivers of business growth, leaders can move past measurement to management, making the most effective ESG decisions and sustaining competitive advantage.

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