

Insideview

A Synergistic Alliance – Will Generative AI Help Tackle the ESG Data Problem?

INTERVIEW WITH TOMAS VAN DER HEIJDEN

In a year marked by challenging market dynamics, the importance of ESG investments remains unwavering. But the wave of ESG regulations and requests generates a demand for more scalable ways to collect and analyze ESG data. The rise of AI could mark a turning point in an industry heavily burdened by reporting requirements, and unlock the true potential of ESG for businesses and investors alike.

What is the significance of ESG data in today's business landscape?

ESG data allows businesses to assess risks related to environmental impact, social responsibility, and governance practices. ESG metrics are integral in investment decisions. At the same time, regulatory bodies worldwide are implementing strict ESG regulations, making it mandatory for businesses to disclose and document their ESG performance. That's why robust and granular data is crucial.

Because ESG is so broad, collecting ESG data requires multiple departments and organisations to collaborate more closely than ever before.

What are some key challenges businesses and financial market participants face when it comes to working with ESG data?

ESG data can be extremely diverse, and it often lives in unstructured data sources (such as PDFs, excel sheets, email chains). In addition, ESG reporting is still far from a standardised practice; many regulatory bodies and rating agencies rely on their own methodology, making ESG metrics challenging to compare and analyze. Finally, the sheer volume of ESG data to collect can be overwhelming.

How are businesses tackling this endeavour? Why is Generative AI a potential solution?

Many businesses are still figuring out things



Tomas van der Heijden
CEO and Co-Founder
Briink

as they go. Broadly speaking, large corporate players are building their internal capacities, often spearheaded by in-house teams, but they also rely on third-party data providers. Medium and small businesses are still lagging behind. This is why Generative AI has such a huge potential in this space. There is a global shortage of human capital (e.g. ESG analysts) to enable companies to extract and analyze this data on their own, and outsourcing is expensive. AI can process large volumes of textual or visual ESG data and generate meaningful insights at scale.

How is this helping ESG knowledge workers today?

ESG is about so much more than gathering and analyzing data – it's about decision-making. AI empowers professionals to focus on strategy and stakeholder engagement, rather than solely on data collection and analysis.

What do you see this field evolving into and what interesting trends do you see applying here?

We have really only scratched the surface of what AI can do. In the future, AI for ESG will be capable of integrating more diverse data sources, like tables and graphs. In addition, we will witness a gradual shift away from "generalist" AI (like chatGPT), and a proliferation of "small language models" that are optimized for specific use-cases, like ESG. At Briink, we have tested the effectiveness of such approaches through domain-specific fine-tuning, prompt engineering and retrieval augmented generation. This is crucial in an industry where there is a growing emphasis on trust and transparency, where concerns about greenwashing have persisted over the past decade.

Thank you for this interesting conversation.