Insights from IBM Think Circles

Accelerating sustainability reporting with generative AI

The day of meeting the requirements of the European Union Corporate Sustainability Reporting Directive (CSRD) is nearly upon us. By the end of this year, any large company with significant operations in the EU will be subject to major new ESG reporting requirements. Meanwhile, other reporting requirements currently exist or are emerging in other jurisdictions.

Meeting these requirements in a timely, accurate, and efficient manner poses a major challenge for CSOs and the enterprises they represent. Can generative AI—and digital technology more broadly—be a game changer and accelerate progress in sustainability reporting? That was the question that the Thinkers considered during the second Think Circles roundtable of 2024.

Innovate with generative AI

The session started with a Thinker sharing an experience with an innovative application for generative AI in speeding up the retrieval of data and drafting of reporting to meet European Sustainability Reporting Standards (ESRS) requirements. The organization wanted to learn the feasibility of using AI to support team efforts. “We used AI to give us a boost, a step forward to compile the information needed, particularly for the narrative or qualitative aspects of the disclosure.”

This approach sparked a lively discussion about the potential of AI and the challenges of using this technology for sustainability reporting.

“We’re in the middle of preparing for CSRD compliance and aiming to leverage the AI systems to ensure that the process is as easy as possible. We can automate as much as possible, and we can achieve the assurance that we need.”

“We expect a 70 to 80% efficiency gain on the extraction and creation of compliant reports using generative AI. This approach accelerates the information extraction from a collection of documents and automates the generation of a draft report.”

“We had a multifunctional group assess the output from the generative AI tool. They genuinely agreed that a lot of the content was relevant.”

Meeting the data challenge

The Thinkers highlighted the importance of having a robust system in place to extract, parse, and analyze data from various sources to efficiently and accurately generate compliant reports. This is important to use AI tools effectively and accurately, and for assurers and other stakeholders to accept the results generated by the systems.

“Compliance with CSRD and ESRS requires the creation of a compliant report for more than 1,000 data points by 2025. The information required to create such a compliant report can be scattered across multiple systems, in different files, and the files can be different types.”

“Managing the content so it works well in these models is a big learning for us.”

“Having clarity on the data sources, the traceability and how the models work, I think is going to be fundamental.”

“The challenge is, first of all, being as targeted as you can on the origin of the data.”

“How third-party assurance would look at this and how to persuade them—it goes back to the selection of the data.”

Giving humans a boost

The Thinkers emphasized AI solutions have the potential to make processes more efficient. They also reinforced the need for human oversight. “This is not to replace people, but it’s a boost. And I think that’s really, really, important.” When applied correctly, many Thinkers saw clear potential for AI to speed up ESG data and reporting processes.

“In principle, it’s easier to compile the data reference points in this AI system—and potentially more thorough—than an SME. It’s a thankless task that I’m certain we all have challenges with, so it could be a win on many counts.”

“The proposed gen AI solution aims to streamline the process by intelligently extracting and summarizing pertinent information from numerous documents and databases. By doing so, users can save significant time and resources compared to traditional methods.”

Planning organization and governance

Perhaps more than on data, the Thinkers engaged on how to organize and govern the use of AI systems for reporting. Who should be involved and when? How should the sustainability team engage with other parts of the organization? And in particular, how can sustainability and finance teams work together?

“The CSO team and finance co-lead the process and have expert teams for the various standards. We are manually retrieving data right now.”

“If we use generative AI, I would probably use my sustainability team to review a first draft and then go to the SMEs as that would dispel some of the noise.”

“We made a conscious effort to not create a shadow organization in different organizations and have a central coordination for reporting. It’s a transformation. Some things are going well, for others maybe a different organizational setup would be smoother. There will be more consolidation as we get ready for the higher audit levels.”

Key actions CSOs can take

Here are actions that can help CSOs manage the now, the new and the next of sustainability to embrace the opportunities and address the challenges:

- Start experimenting and innovating with AI to explore its potential for boosting your reporting efforts.
- Set clear governance mechanisms for transparent and trusted use of AI for sustainability reporting.
- Be clear on the sourcing and use of data. Data management is key.
- Engage key stakeholders internally and externally on your AI journey—especially finance, legal, and assurers.

For more data and insight

The ESG data conundrum
How organizations can unlock more value from their ESG data and reporting efforts.
ibm.co/esg-data-conundrum

Beyond checking the box
How to create business value with embedded sustainability provides insights into how organizations can move from ‘doing sustainability’ to becoming more sustainable.
ibm.co/sustainability-business-value

The Power of AI: Sustainability
Our point of view on the potential of AI for sustainability.
ibm.co/ai-data-sustainability

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