

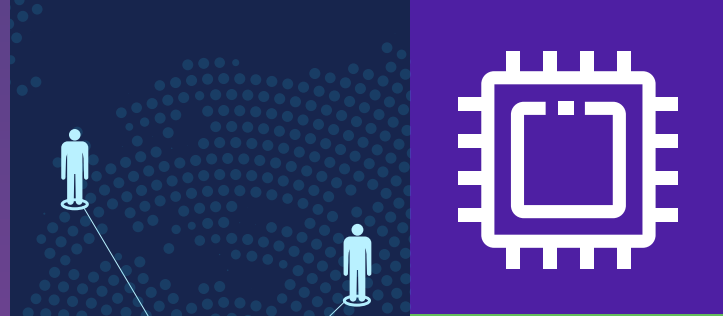
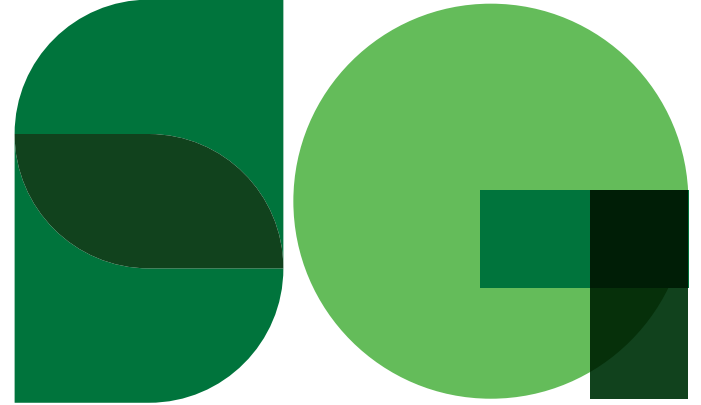
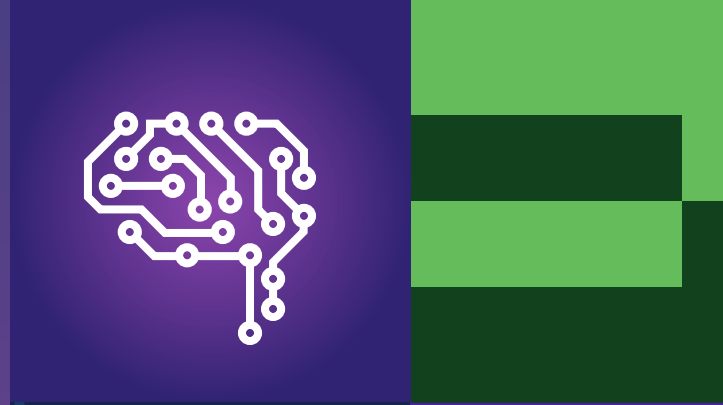
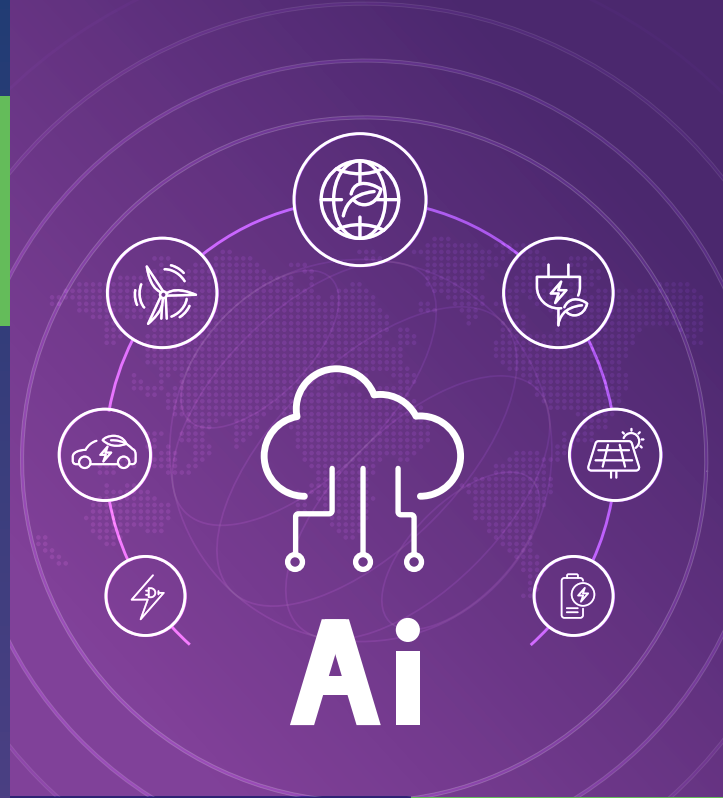


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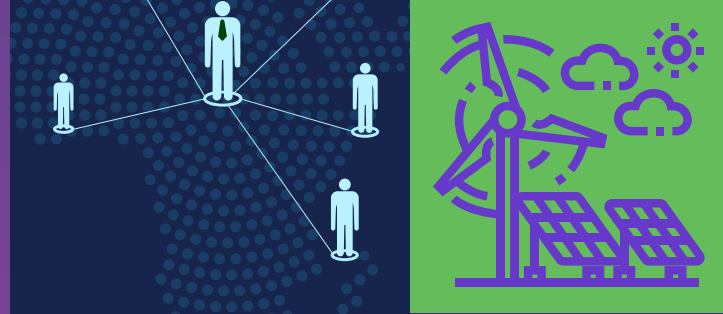
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Richard Moore Associates®

ESGPath



Applying AI to ESG Practices



Challenges of Implementing AI for ESG

As AI technology evolves rapidly, several key challenges are emerging in its application for ESG initiatives, on both organisational as well as global aspects.

One major concern with integrating AI into organisations is the unintentional incorporation of human bias, as AI learns from historical data that often reflects existing prejudices related to race and gender. This can result in skewed outcomes in recruitment and performance evaluations for example. Additionally, biases may arise during development from incomplete data or limited perspectives, further undermining AI reliability. Some AI systems also struggle to identify their own mistakes, which can lead to significant issues if unchecked.

Moreover, AI implementation may require workforce restructuring, potentially causing job losses or role adjustments. Organisations must manage these changes proactively to avoid negative publicity and protect talent acquisition. Smaller companies may lack the technical expertise for effective AI adoption, so they should consider hiring experienced personnel or engaging external consultants based on their budgets.

Best Practices for Implementing AI

So how can we mitigate these possible obstacles? One of the ways is to create a robust framework where the needs of the organisation and stakeholders are balanced with the capabilities of AI. Here are six overarching steps to guide this process:

1. Define Objectives: Outline how AI will support specific ESG goals and align with organisational objectives, ensuring human oversight in decision-making.
2. Establish Ethical Guidelines: Develop guidelines for AI use focused on fairness, transparency, and accountability, along with a governance structure for compliance.
3. Prioritise Data Privacy: Implement strong data protection and cybersecurity measures, conducting regular audits to identify vulnerabilities.
4. Promote Transparency: Use explainable AI models to clarify decision-making and establish accountability protocols for AI outcomes.
5. Engage Stakeholders: Communicate openly about AI usage in ESG initiatives, addressing stakeholder concerns and staying updated on regulatory changes.
6. Adopt Sustainable Practices: Opt for energy-efficient AI operations, manage AI hardware responsibly and regularly review the impact on ESG goals for continuous improvement.

By focusing on these interconnected areas, organisations can effectively integrate AI into their ESG strategies while mitigating potential risks.

The Impact of AI for Effective ESG Implementation

The impact of AI tools in implementing ESGs has not gone unnoticed, and countless global brands such as Coca-Cola, Amazon, Microsoft, and Starbucks, to name a few, are boasting about their achievements in ESGs while using the latest AI tools. There are, however, a range of AI tools to assist with ESG implementation for businesses of all sizes and budgets. Implementation of such tools can have significant benefits for your brand image, including making it more resilient, trustworthy, transparent, and appealing to a wide range of stakeholders. This enhanced reputation can also lead to attracting positive media attention and public goodwill overall. Nowadays, consumers and businesses alike are increasingly favouring brands that prioritise these goals and take meaningful action by fostering sustainability and social responsibility at both local and global levels where appropriate.

Impactful Story Telling of Environmental Goals (E)

Environmental goals are typically expressed through data, numbers, and charts. Key environmental factors such as:



Carbon footprint



Resource optimisation



Environmental risk assessment



Sustainability reporting



Metrics for supply chain management

all are easily tracked by AI tools and moreover their ability to analyse vast amounts of data has fundamentally changed the landscape of environmental management systems. Advanced AI systems can model various scenarios and make forecasts which helps organisations reduce their ecological impact both now and in the future.

The positive messages that can be created by using AI tools in the implementation of environmental goals are compelling. What is essential to consider is how these messages are presented and conveyed to the public.

One of the most pertinent goals for companies today is to reduce their carbon footprint and embrace decarbonisation. This effort is underpinned by global regulations like the Paris Agreement and the European Green Deal, both which are pushing us all to take action for a more sustainable future. The accurate reporting tools AI offers gives organisations a clear method of prioritising these carbon reduction programmes. A recent survey by Milieu Insight, Singapore, concluded that, 'Consumers just aren't buying your sustainability claims.' Any claims made by companies and brands need to be backed up by real data and conclusive results to make any significant changes in consumer behavior. AI tools assists us in doing just that by allowing brands to engage in convincing storytelling about their sustainability practices. This can go a long way in enhancing your brand's reputation and positioning you as a forward-thinker and as an eco-conscious leader in your field.



Case Studies Integrating AI into ESG and Operations



Vietnam Electricity (EVN)
Source: EVN website news (1) and (2)

EVN

How

Vietnam Electricity (EVN) is integrating AI to optimize the national energy grid, improving electricity distribution and reducing waste. AI systems enable effective management of distribution, maintenance predictions and anomaly detection, leading to less downtime and better service reliability.

Achievements

EVN uses AI to monitor rooftop solar power, allowing accurate forecasting of power capacity. This enables efficient energy allocation and improved management of power losses. Through these efforts, EVN enhances operational efficiency and supports a sustainable energy future for Vietnam.



FPT Corporation
Source: Company annual ESG report 2023

The Hows and The Impacts

In its latest annual ESG report, FPT details its development of AI solutions across 5 key elements:

- Creating personalised learning paths for employees, enhancing skill development and productivity.
- Financial risk management analyses data to identify potential risks and recommend mitigation strategies.
- Automated debt confirmation and payment processes streamlines operations and reduces reliance on human intervention
- Optimising procurement by identifying products, recommending suppliers and tracking suspicious transactions.
- FPT is using AI to predict customer churn and identify contract termination reasons, helping the customer care team implement proactive loyalty programs and improve retention.

Clearing up the Confusion of Social Goals with AI (S)

Social goals in ESG programmes are often misunderstood and the misconceptions can hinder the effectiveness of these goals. A common mistake is to solely focus on metrics whilst ignoring the human element and root causes of the issues. This can lead to superficial compliance that is not helpful to your image nor a feasible long-term solution for achieving social equity. To avoid these pitfalls, AI tools are available to gain deeper insights and foster genuine engagement with your audiences.

Diversity, Equity & Inclusion (DEI)

AI tools can analyse not just diversity metrics, but also enhance equity and inclusion within workplace cultures. By employing sentiment analysis and natural language processing (NLP), organisations can better understand the opinions and emotions expressed in unstructured text data such as comments, articles or blogs. Sentiment analysis evaluates whether the sentiments in writing are positive, negative, or neutral, while NLP enables machines to comprehend and interpret human language. Together, these technologies allow businesses to assess employee experiences and identify areas that need improvement, such as mental or physical health, beyond just numbers.

Brands making a commitment to DEI can strengthen their brand positioning by taking action pro-actively rather than reactively and AI tools can assist in transparently sharing their progress.

Engagement with Stakeholders

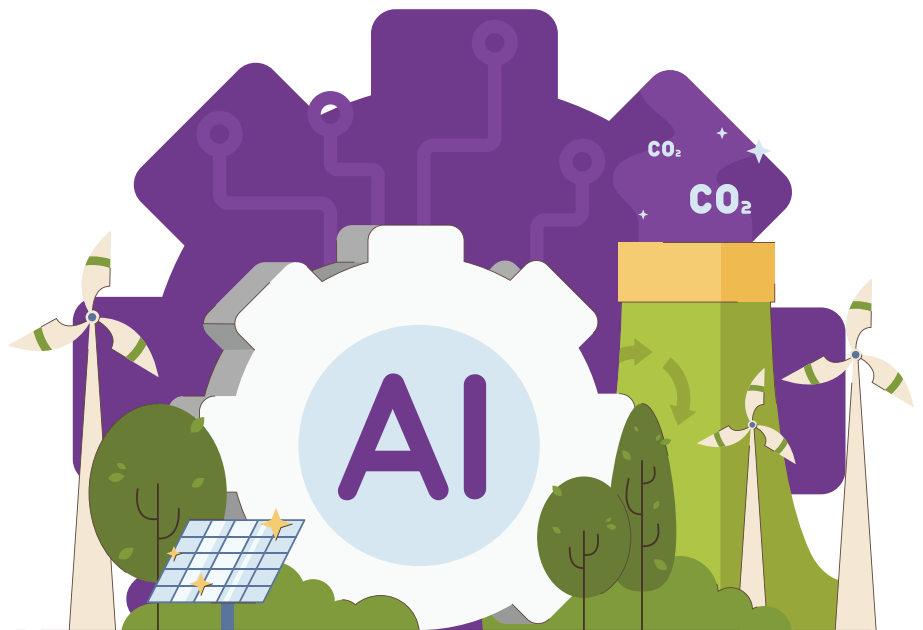
Engaging with stakeholders has been a hot topic since the emergence of social media and companies are striving for more impactful and long-lasting interactions. Their reach, thus far, has been limited to human capacity and fairly simple, often off-putting, chatbots. AI tools now offers us a method to engage with a much broader range of stakeholders than ever before and they can analyse and gauge public sentiment in real-time.

These advancements in technology give companies the opportunity to track and analyse the real impact of their initiatives while making sure they meet community needs instead of just reflecting internal goals or ideas. It's important to remember that internal perceived successes might not reflect reality. Strategies need to be continuously adjusted to keep pace with changing public perceptions. AI tools have significantly accelerated timelines for action, necessitating rapid responses to shifting perceptions.

Targeted communication programmes aimed at sharing genuine outcomes with tangible evidence, can have a lasting effect in improving brand perception and instil trust and loyalty within communities.

AI-Driven Governance (G)

Implementing governance goals to align with the values of your brand may appear straightforward at first, but what do you do once they have been implemented? How do you keep track of them and how do you communicate these achievements to the market?



Case Studies Integrating AI into ESG and Operations



MOMO

Source: vietnam.vn + Daibieunhandan

How

MoMo, a leading fintech in Vietnam, uses AI to aid small and micro-enterprises (SMEs and MSMEs) in their digital transformation, providing low-cost access to the MoMo ecosystem. This enhances operational efficiency and resource management. MoMo also invests in AI and deep learning for fraud prevention, ensuring compliance with international cybersecurity standards.

Achievements

These initiatives have allowed MoMo to support over 30 million users and contribute to a sustainable digital economy. The focus on digital transformation and security measures underscores MoMo's commitment to a secure financial landscape in Vietnam.

Tracking and Analysing Governance

The key AI tools for governance focus on managing compliance, assessing governance practices including board diversity and mitigating risks associated with governance failures. These tools can generate very useful and impactful metrics that companies can use in their communications. Metrics such as, reduction in compliance related errors, increase in operational efficiency or improvement in risk management, to name a few, can be attractive to investors and stakeholders alike.

On the other hand, AI tools can identify and report governance failures, such as corruption and fraudulent practices and therefore in some (working) cultures this increased transparency may face resistance as accountability grows. AI tools can be useful in cleaning up internal issues and making improvements if necessary.

Predicting & Shifting Opinions

AI tools are also paving the way for companies to be able to interpret and predict shifting public opinions in an unprecedented manner. AI can use NLP tools to interpret and analyse stakeholder communications in real-time. Imagine a company facing challenges and stakeholder scrutiny. These shifting opinions and trends can easily be identified, and communications or strategies adapted quickly to minimize further scrutiny and regain public trust.

Avoid Costly Errors

The AI data collection allows simulations of various scenarios to take place and test or predict the effects of future changes in company policies. This proactive approach can detect potential misjudgments and allow companies to adapt accordingly, increasing the brand's credibility in the public eye.

Commit to Action

When embarking on this journey, it should be noted that the integration of AI tools into ESG implementation is not just a technological upgrade, it needs to be based on solid goals and intentions to be successful.



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Ideas for topics for future newsletters?

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