Report on the IFIS mini-Conference "Greenwashing in the Crosshairs of AI" of 28 October 2025

Professor Andreas Hoepner leads on the Increasing Sophistication of Greenwashing Emerging from Legal Loopholes and Reporting Arbitrages.

On 28 October 2025, we (the Institute for Financial Integrity and Sustainability) organised a mini-conference entitled "Greenwashing in the Crosshairs of AI", kindly sponsored by Spuerkeess, Luxembourg. Our two prominent academic speakers, Andreas Hoepner and Fabiola Schneider of University College, Dublin, delivered a wide-ranging analysis of the evolving landscape of environmental, social, and governance (ESG) reporting, greenwashing practices, and the legal and technological dynamics shaping corporate climate disclosures. The mini-conference was the second IFIS Greenwashing conference to be sponsored by Spuerkeess, featuring Professor Hoepner as Keynote Speaker. Whilst we revisited themes discussed 18 months prior, speakers focused now on the increasing complexity of greenwashing: the strategic use of legal structures in certain jurisdictions to minimise ESG accountability, and the role of artificial intelligence in tracking discrepancies between corporate claims and actual impact on people and planet.

Blow the Winds of (Legal) Change
Andreas opened by noting that, in the short time between our conferences, the political context has changed significantly. Andreas even limited his remarks to the current US administration's brief tenure, framing the prevailing environment as one of intensified strategic resistance to ESG engagement. A key example cited was BlackRock's temporary suspension of ESG-related activities in February 2025, prompted by uncertainty over whether ESG engagement could trigger regulatory filings typically associated with corporate takeovers. Although BlackRock resumed its activities within three days, the episode was described as "nerve-racking" and indicative of broader hesitancy across the investment landscape. He might have equally mentioned the legal threat applied to major actors in the funds industry of interpreting pro-sustainability shareholder activity as a possible contravention of antitrust laws; perhaps time did not allow.

Shareholder Democracy under Siege
Andreas did, however, emphasise that legal and regulatory pressures have led to a "huge delay on ESG engagement and a huge decoupling in terms of the actual voting policies." Shareholder activism registered through their involvement in making demands on boards of directors at AGMs, amongst others, has been an essential check on unfettered profiteering from negative impacts on the planet. The implications of actions hostile to shareholder democracy are severe, with the open question of whether it is under systematic attack in some quarters; the financial industry needs to understand the tactics being deployed against ESG in general and shareholder democracy in particular.

Scope 3 Emmissions – An Essential Summit Still Shrouded in Cloud
One of the central themes of his presentation was the challenge of estimating Scope 3 emissions—those arising from a company's value chain, including suppliers and customers. The speaker praised Exxon for disclosing the largest-ever Scope 3 (Category 11) downstream emissions figure, but noted that other non-reporting entities, such as PetroChina and Saudi Aramco, likely exceed Exxon's emissions. Andreas advocated for overestimation of emissions as a precautionary principle, arguing that "if the actual estimates are all lower than

what you really emit, then which management team, which board is going to sign off on the expenses to collect the data just to make it look worse?"

The presentation addressed the limitations of Scope 1 and Scope 2 reporting, which cover direct emissions and emissions from purchased energy, respectively. Andreas cited examples of companies reporting "double zero" emissions, including a New Zealand real estate firm and an oil and gas company that only holds extraction rights. These cases were described as exploiting legal structures to minimise reported emissions. Andreas warned that "if we do not actually engage with Scope 3… it's going to become tricky over time."

Reporting Beyond the Sustainability Report

A significant portion of his talk focused on the legal incentives driving corporate disclosures. Companies now voluntarily disclose risks such as forced labour and child labour in their supply chains—not in sustainability reports, but in regulatory filings like 10-K and 20-F documents submitted to the US Securities and Exchange Commission (SEC). "That is not something they would ever mention in a sustainability report," Andreas noted. "That is something they're saying because in case it gets sued, it massively reduces the liability."

Andreas presented aggregated data showing a marked increase in climate risk disclosures across industries between 2018 and 2024. Specific risks, such as wildfires, hurricanes, and typhoons, were reported with geographic precision, in line with the legal obligation to disclose material risks. "The level of data is remarkably detailed."

Robotic Process Automation – A Game Changer

His presentation also examined the use of artificial intelligence—referred to as "robotic process automation" or "financial data science" depending on the audience—to analyse corporate filings. AI tools can detect subtle changes in language between annual reports, such as the removal of terms like "growth" or "successfully implemented," which may signal strategic shifts or legal caution.

In the context of greenwashing, Andreas outlined a taxonomy based on emission performance and communication, arguing that companies that make strong green claims without sufficient emission reductions are engaging in greenwashing.

Over 10,000 companies report emissions, but primarily under Scope 1 and 2. Scope 3 remains underreported, and Andreas described how some companies exploit the greenhouse gas protocol's allowance for "operational control" rather than "financial control" to exclude emissions from their reporting. "I can have financial control but I yield operational control," thereby shifting emissions to Scope 3 and reducing reported figures.

Adjusting the Telescopic Sight of the Greenwashing Hunter

To address this gap, Andreas described a methodology developed and published in 2021. The approach uses statistical models to estimate emissions based on proxies. The deliberate overestimation of emissions, countering the rather human tendency to downplay negative news, can create incentives for greater disclosure and for avoiding the risk associated with sudden jumps in reported footprints when real data eventually becomes available.

Recent regulatory developments raise concerns, however. The SEC's encouragement of private equity firms to issue securities that cannot be subject to class action lawsuits is counter to shareholder democracy and rights. Andreas urged index providers such as MSCI,

Bloomberg, and FTSE to exclude such securities from major indices, as MSCI previously did, citing Snapchat's share class structure.

In the age of AI, governance is becoming critical; yet this need is underestimated. Andreas suggested that, if we wish to garner the potential of augmented intelligence in the service of our planet, business education must evolve to include "masters of business and AI administration".

In conclusion, while greenwashing tactics have become more sophisticated, the tools to detect and counter them are also advancing. An essential element in the fight against greenwashing, however, is that legal and regulatory frameworks continue to support transparency and accountability. That depends on a very non-AI thing: Human will.

In the Crosshairs: How AI Assesses Corporate Greenwashing Risk
Assistant Professor Fabiola Schneider picked up the thread and explained in more detail how AI can help in the fight against Greenwashing. She introduced the audience to the GreenWatch initiative; a data-driven project designed to evaluate the credibility of corporate sustainability claims. Founded five years ago at University College Dublin, it has since evolved into a robust analytical platform focused on corporate accountability in climate-related disclosures.

Greenwatch was established following a European Commission survey in 2020 that revealed that 53% of green claims were "vague" and 40% lacked supporting evidence. "What's a green claim without evidence? Just words, cheap talk." The survey found that while sustainability was gaining traction in public discourse and financial markets, the quality and verifiability of corporate claims remained inconsistent.

GreenWatch was developed to address this gap by leveraging artificial intelligence, or more precisely, "augmented intelligence," to analyse corporate reports and match sustainability claims with actual emission performance. Fabiola emphasised that, despite shifting political winds and regulatory uncertainty in 2025, the risk of greenwashing remains material, citing several recent legal actions in Australia and Europe.

Her presentation then turned to the technicalities of the AI methodology, which focuses exclusively on listed corporations and deliberately excludes consumer advertising and marketing materials. “We’re not looking at net-zero beef at the supermarket. Consumer protection agencies already cover that. Our focus is on corporate reports, the kind that investors rely on.”

Mining the Database
The database includes reports from over 3,000 companies, representing more than 85% of the global investable equity universe. The first step in the process involves identifying sustainability-related statements made by senior executives. These statements are extracted from lengthy corporate reports (often hundreds of pages) using AI tools that filter, precisely categorise by relevant language, and ensure traceability. The methodology today focuses solely on executive statements, which carry greater accountability.

The AI categorises relevant statements by the strength of their sustainability claims. These range from modest references to progress or third-party endorsements, such as inclusion in an ESG index, to absolute leadership claims, such as "we are the most sustainable company."

The next phase involves matching these claims to actual greenhouse gas emission performance. GreenWatch uses the EU Paris-aligned standards benchmark of 7% year-on-year reduction over three years. "Decarbonisation is what we're looking for. Zero is not the target, emissions need to go down." Companies that fail to report emissions are excluded from positive assessments. "If a company is not reporting their emissions, they probably shouldn't be making big sustainability claims."

The final step in the process is classifying greenwashing risk. That risk is determined by comparing the boldness of a company's sustainability claims with its actual emission trajectory. A company that makes strong claims, but shows poor or negative performance is flagged as high-risk. Conversely, firms with strong performance are considered justified in making bold claims. Fabiola emphasised that nuance is essential, explaining that if a company is reducing its emissions a little bit but not quite enough, and still makes a big claim, it is at high risk of greenwashing.

Human Control of AI

Human oversight of AI-driven assessments is crucial to prevent false positives. However, without AI, the task would be beyond the scope of any reasonable human effort. The scale of the initiative is substantial: over 200,000 executive statements have been reviewed, of which 73,000 were identified as sustainability-related. Fabiola provided numerous examples of companies that, through their disclosures, have scored high on the greenwashing risk scale. Companies that claim to pursue or beat ambitious net-zero targets also frequently disclose in their various filings that their total emissions are increasing.

In closing, Fabiola reiterated GreenWatch's mission: to hold corporate sustainability claims accountable through rigorous data analysis and transparent methodologies. "We're not here to praise companies," she said. "We're here to identify where bold words don't match bold actions."

Panel and Audience Discussion Highlights Legal, Technical, and Governance Challenges in ESG and Greenwashing

The final part of the mini-conference was a panel discussion and audience Q&A session that explored the practical, legal, and methodological implications of corporate sustainability claims. EU Sustainable Finance Expert, Eila Kreivi, and Anthony Smith-Meyer, Executive Director of the organiser, IFIS, joined the speakers to start a discussion.

A recurring theme of the discussion was the tension between regulatory ambition and market practice. The panel highlighted the European Commission's efforts to standardise sustainability disclosures through instruments such as the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy, while noting that enforcement remains inconsistent across jurisdictions. Given the importance of legal liability in shaping corporate behaviour, this was considered a concern, with reference to recent greenwashing cases.

Net-Zero? A 7% per annum Reduction Benchmark?

The discussion then turned to the methodological foundations of the GreenWatch methodology. Audience members wanted clarification on the decision to use a 7% year-on-year emissions reduction benchmark, with one question probing its applicability across sectors with differing decarbonisation trajectories. Fabiola and Andreas responded by referencing the EU's Paris-aligned benchmarks and explained that the 7% figure represents a generalisable threshold for climate mitigation, not a sector-specific target. The role of human

oversight of AI analysis is precisely to give companies the benefit of the doubt: "but the benchmark provides a consistent reference point." Good or “Bad” performance relative to the 7% benchmark may differ between sectors, but on the principal that “all is relative”, it is still possible to differentiate between the good and the bad actors within them.

Scope 3 – A Work in Progress
Another area of focus was the treatment of Scope 3 emissions. Several attendees raised concerns about the reliability of Scope 3 data, given its dependence on third-party disclosures and complex value chains. However, the availability and accuracy of Scope 3 data are a work in progress, are improving, but cannot be ignored: the ability of carbon emitters to arbitrage accounting and reporting standards hinders progress, “it’s going to become tricky over time.” The panel also addressed the issue of data consistency across reporting platforms, deliberate or otherwise. Market-based reporting often results in lower emissions figures than location-based methods.

More Food for Thought
The conversation covered a range of questions, including the roles of index providers and institutional investors in shaping ESG accountability and the practical implications for asset managers and fiduciaries.

The panel concluded that the dynamics for and against sustainability objectives are evolving rapidly and require constant attention to interdisciplinary alignment, combining finance, law, and data science. Overall, the presentations and Q&A underscored the multifaceted nature of ESG reporting and the risks of greenwashing. Legal frameworks, data methodologies, investor behaviour, and technological tools all shape corporate accountability. While challenges remain, the potential for data-driven oversight to improve transparency and trust in sustainability claims exists and, we are confident, is set to grow over time.

Anthony Smith-Meyer
Executive Director, IFIS

31 October 2025