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Sustainable Investing Research Initiative

SUMMARY

Columbia University Sustainable Finance Seminar

SFS11:

**AI, Impact, and Trust:
Redefining Measurement and Verification in Sustainable Finance**

Mar 4, 2026

The seminar opened with a broad inquiry into how artificial intelligence and new forms of data analysis may reshape sustainable finance, particularly the long-standing challenges of measuring impact, verifying claims, and integrating nontraditional information into investment decisions.

The moderator framed the discussion as part of a larger exploration into whether the categories and assumptions that currently structure financial markets may be changing under the pressure of vastly expanded analytical capacity. Two presenters were invited to offer concrete examples from practice: one representing a firm focused on impact verification within private markets, and the other representing a company using product-level data and scientific evidence to estimate corporate impacts from the outside in.

The first presenter began by describing the evolution of her organization, which was founded to provide independent verification for the impact investing market. Many funds now claim that they seek measurable positive impact alongside financial return, but investors often struggle to distinguish rigorous approaches from superficial marketing. Her firm was created to look “under the hood” of investment strategies by examining a manager’s impact thesis, due diligence procedures, monitoring systems, reporting templates, and governance processes.

In its early years, this work was highly manual. Analysts reviewed large quantities of documents over several weeks, comparing each fund’s practices against a proprietary framework grounded

in accepted industry standards. Over time, however, the firm recognized that artificial intelligence could dramatically improve efficiency and access. It began integrating AI tools into the review process and eventually built a platform that could analyze fund materials, generate indicative ratings, benchmark managers against peers, and surface risks and opportunities more quickly and at lower cost.

The presenter stressed that the aim was not simply to automate an existing workflow but to broaden access to expertise that had previously been expensive and bespoke. Instead of reserving rigorous impact assessment for large institutions able to pay for consulting-style engagements, the new platform sought to make this knowledge more widely available to pension funds, foundations, endowments, and other allocators who invest through funds rather than directly in companies. In that sense, the firm's central unit of analysis is the investment manager. It helps asset owners compare funds, evaluate the seriousness of impact claims, and understand how a portfolio of managers aligns with their goals.

The second presenter offered a different but complementary perspective. He argued that companies often do not fully understand their own impacts, and in some cases may have limited incentives to disclose them comprehensively. For that reason, relying primarily on corporate sustainability reports can leave investors with an incomplete picture. His firm was founded to estimate impacts independently of company disclosure by starting with what firms actually produce. It has built a detailed taxonomy of products and services, then links those activities to scientific and academic evidence about environmental, social, and economic effects. Rather than asking a company to report its impact first, the model asks what impacts are likely associated with the goods and services the company brings to market.

This outside-in approach led to a discussion of how granular the system aims to be. The presenter described tracing impacts through supply chains, product components, and downstream uses, attempting to understand attribution across complex economic activity. He noted that everything from airline emissions to consumer health outcomes can be analyzed through the relationships among products and enabling infrastructure. What initially began as a reporting tool is increasingly moving toward decision support. Investors can use the data to understand portfolio impacts, satisfy regulatory requirements, or conduct due diligence before committing capital. The presenter suggested that one of the most exciting frontiers is helping investment teams compare opportunities across sectors and geographies by giving them an immediate view of risks and opportunities that would otherwise require substantial time and expertise to uncover.

As the discussion moved from presentations to dialogue, the contrast between these two models became more apparent.

- One approach begins with claims made by managers or companies and asks whether they are credible, robust, and aligned with best practice.
- The other begins with external evidence and economic activity, then asks what impacts are likely occurring regardless of what has been disclosed.

Yet rather than treating these as competing philosophies, participants viewed them as parts of a larger ecosystem. Verification can strengthen confidence in reported information. Estimation can fill gaps where disclosure is incomplete or absent. Together, they may help create a richer and more decision-useful architecture of sustainable finance data.

A discussant then raised the question of how such information intersects with financial risk. He suggested that many investors are trying to understand whether planetary or social risks can be translated into portfolio-level financial consequences. Could environmental degradation, regulatory shifts, supply-chain fragility, or social harms eventually be priced into returns?

The first presenter responded by noting that impact risk and financial risk are often more connected than they appear. A hospital that provides poor care, for example, is not merely creating a social problem; it may also undermine its own business viability. She suggested that while her firm does not explicitly label every finding in financial terms, many impact concerns inherently contain financial implications.

The second presenter responded that his organization had recently begun offering estimates of financial effects derived from impact analysis. Because it understands risk and opportunity at the product and service level, it can model how those dynamics may affect revenues, expenses, balance sheets, or cash flows over time. He noted that sustainability managers often struggle to communicate with chief financial officers, but when risks are translated into the language of financial statements, a more productive internal dialogue becomes possible. The conversation, he said, shifts from whether an issue matters at all to how much it matters.

The topic of trust then emerged as a central concern. If AI systems increasingly generate ratings, benchmarks, or estimates, what gives users confidence in them? From the verification perspective, trust derives from independence, repeatable methodology, alignment with recognized standards, and careful human oversight. Yet the presenter also warned that investors sometimes seek a degree of numerical precision that exceeds what is necessary for sound decisions. There can be a false comfort in exactness. Often the more relevant question is whether the information is sufficiently reliable to guide better judgment.

From the estimation perspective, trust was framed somewhat differently. Confidence comes from transparency of method, openness of data sources, and the user's ability to inspect how conclusions were reached. If a company receives a particular score or impact profile, the user

should be able to see the underlying products, the associated evidence, and the logic of attribution. In this model, trust depends less on certification and more on traceability.

Later in the seminar, another participant widened the lens by asking where the real frictions lie. It is one thing to generate decision-relevant information, another to secure adoption by users, and yet another to produce real-world change. This intervention deepened the conversation considerably. Better data does not automatically alter incentives, organizational behavior, or capital allocation. Investment committees may not know how to use it. Consultants may filter it out. Financial professionals may lack the training to interpret it. Institutions may recognize risks yet remain reluctant to act. In this framing, the challenge is not merely technological but educational, organizational, and cultural.

The moderator then connected these themes to a broader intellectual project. He suggested that many current distinctions in finance—between financial materiality and impact materiality, between backward-looking evidence and forward-looking estimates, between fiduciary prudence and broader system effects—were developed in earlier eras of limited data and constrained analytical capacity. If markets can now observe more, estimate more, and connect more variables than before, those inherited categories may begin to erode. Information once dismissed as external or non-financial may become central to investment judgment. This, he argued, could have implications for fiduciary duty, accounting norms, and the very definition of relevance in financial markets.

As the seminar moved toward conclusion, participants reflected on where these developments might lead over the next decade. The underlying mood was one of cautious but genuine possibility. AI-enabled tools may soon make portfolio-wide impact visibility commonplace. Estimates may gain legitimacy much as forecasts and valuation models already have in conventional finance.

Reporting systems may merge with decision systems, so that sustainability intelligence influences underwriting, due diligence, stewardship, and strategy rather than sitting in separate reports. Perhaps most significantly, the discussion implied that sustainable finance is no longer only about adding ethical considerations to markets. It may increasingly be about rethinking how markets know what they know.

What made the session especially valuable was that it grounded large questions in practical tools already being used by investors and companies. At the same time, it revealed that beneath debates about metrics and platforms lies a deeper transition: the possibility that new forms of intelligence are changing not just the quantity of available data, but the architecture of financial judgment itself.
