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Webinar

# Recognition of Impact Investing in the EU Sustainable Finance framework and how this could look like –

## Enabling the impact investing market in the EU and supporting market growth, innovation, and competition

16 July 2025

# Recognition of Impact Investing – Agenda

Welcome remarks and introduction

Brief introduction to the initiative –What does the regulatory landscape look like and what does the initiative want to achieve?

Panel: Why do we need regulatory recognition of impact investing?

# Recognition of Impact Investing – today‘s speakers in the first part

**Susanne Bregy,**
Managing Director,
BIII e.V.

**Dr. Julian Frede,**
Managing Director,
evolutiq impact
advisory

**Heike Schmitz,**
Partner,
Herbert Smith
Freehills Kramer

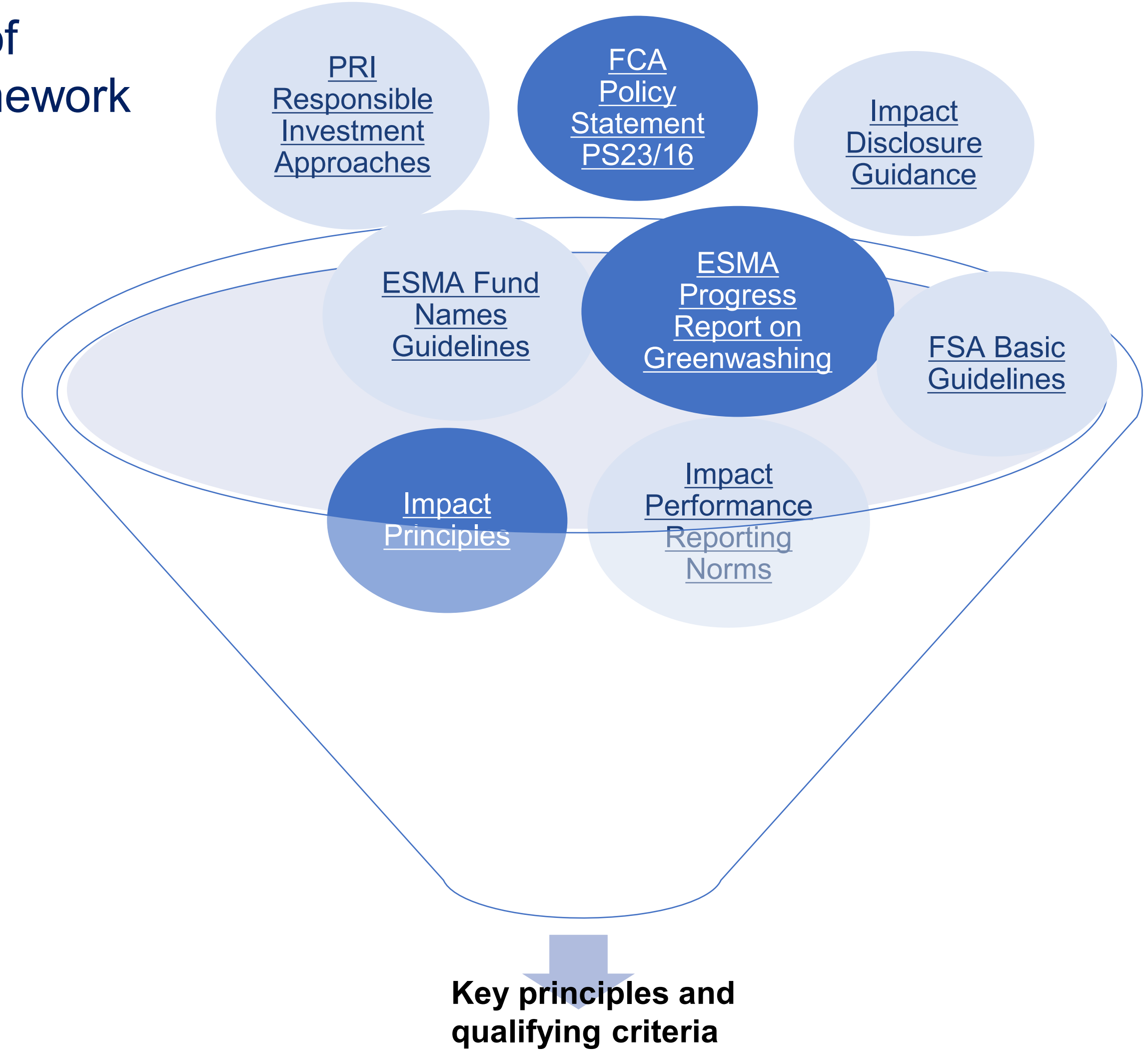
# Recognition of Impact Investing in the EU Sustainable Finance framework

## Multi-stakeholder initiative to achieve a recognition of impact investing in the EU Sustainable Finance framework

**Aims of the initiative:**

- Establish a joint minimum baseline for impact investing in Europe by defining key principles and qualifying criteria.
- Provide managers and investors with a clear reference framework based on existing standards permitting first steps into impact investing.
- Support regulators and policymakers in better understanding the fundamentals of impact investing as a global concept.
- Petition the EU Commission to recognize impact investing as concept in a non-binding recommendation to create a "safe space" for the further development of the impact investing market in Europe

[Link to Policy Paper]



# Recognition of Impact Investing

Policy Paper – how to read the concept starting on p. 6

| Key principle | Qualifying criteria |
|---|---|
| **1. Intentionality** | 1.1. Strategic impact objective(s)<br>1.2. Impact thesis<br>1.3. Targeted impact |
| **2. Measurability** | 2.1. Asset contribution<br>2.2. Investor contribution<br>2.3. Impact KPIs and measurement process |
| **3. Impact Management** | 3.1. Scope of the impact strategy<br>3.2. Managing impact performance<br>3.3. Managing negative impacts (DNSH)<br>3.4. Engagement |
| **4. Reporting** | 4.1. Impact reporting |

# Recognition of Impact Investing in the EU Sustainable Finance framework

## Policy Paper – what we propose (1)

| Key principle | Qualifying criteria | Elements |
|---|---|---|
| **Intentionality** | **Strategic impact objective(s)** | The Financial Market Participant (FMP) should define one or more Strategic Impact Objectives (SIOs) for a financial product. These objectives aim to generate positive, measurable social or environmental outcomes alongside financial returns. The SIOs must be established at the product's inception, disclosed to potential investors, and explained in terms of their expected societal or environmental benefits. |
| | **Impact thesis** | The FMP should have an impact thesis which explains via one or several impact pathways how the SIO(s) of the financial product is/are expected to be achieved. |
| | **Targeted impact** | The FMP should disclose the level of impact it aims to achieve in relation to its SIO(s) based on its impact thesis. The targeted impact could be defined on a quantitative or qualitative basis and relate to the financial product as whole or individual investments. |
| **Measurability** | **Asset contribution** | The FMP should specify how the assets or asset class targeted by the financial product's investments have the potential to contribute to the SIO(s) and the targeted impact based on the impact thesis. The FMP should also specify how it will measure the assets' contribution. |
| | **Investor contribution** | The FMP should specify how it expects to contribute to the SIO(s) and targeted impact via its own activities on the basis of the impact thesis. The FMP should specify how it will measure the expected investor contribution, explaining how actions at investor level cause or contribute to a change at asset level. |
| | **Impact KPIs and measurement process** | The Financial Market Participant (FMP) must define impact Key Performance Indicators (KPIs) that are appropriate (linked to the product's SIO(s) and impact thesis) and measurable (based on accessible data). These KPIs, which can be quantitative or qualitative, help track and report the impact of the financial product or its individual investments. The FMP should also explain how it measures these KPIs, using data from sources like official reports, direct disclosures, proxies, or third parties. |

# Recognition of Impact Investing in the EU Sustainable Finance framework

## Policy Paper – what we propose (2)

| Key principle | Qualifying criteria | Elements |
|---|---|---|
| **Impact Management** | **Scope of the impact strategy** | The FMP should ensure that all assets of the financial product are aligned with its SIO(s) and impact thesis. For assets which do not directly contribute to the SIO(s) (for example assets held for liquidity management, hedging or ancillary purposes), the FMP should ensure that they do not contradict the SIO(s) and that negative impacts are managed. |
| | **Managing impact performance** | The FMP should have (1) appropriate and consistent processes and (2) adequate and appropriate resources, each as necessary to support the delivery of the SIO(s) and the targeted impact. The FMP should have processes to identify and manage risks and external factors that could threaten the achievement of the asset and investor contribution to the financial product's SIO. |
| | **Managing negative impacts (DNSH)** | The FMP should have processes to identify, avoid, and, where avoidance is not possible, manage to mitigate material negative impacts arising from all assets in the financial product and the related investment activities. |
| | **Engagement** | The FMP should have a strategy on how to engage or otherwise interact with the assets to support the achievement of the SIO(s) and the targeted impact. |
| **Reporting** | **Impact reporting** | The FMP should regularly report to the purchasers of the financial product on the progress toward achieving the SIO(s) and targeted impact measured using the impact KPIs. The reporting should contain information on the asset and investor contribution. The FMP should explain significant deviations from the SIO(s) and targeted impacts. |

# Recognition of Impact Investing in the EU Sustainable Finance framework

## Impact in the current EU Sustainable Finance framework

European Commission

Principal adverse impacts on sustainability factors (SFDR)

"the effect the undertaking has or could have on the environment and people, including effects on their human rights, connected with its own operations and upstream and downstream value chain, including through its products and services, as well as through its business relationships. […] Impacts indicate the undertaking's contribution, negative or positive, to sustainable development." (ESRS/CSRD)

Contribution to environmental/ social objectives (SFDR)

ESMA
European Securities and Markets Authority

ESMA Guidelines on funds' names using ESG or sustainability-related terms (21 August 2024):

(1) Impact strategy applied to at least 80% of investments

(2) Minimum exclusions

(3) Investments are made with the intention to generate positive, measurable social or environmental impact alongside a financial return

# Recognition of Impact Investing in the EU Sustainable Finance framework

## Key features of impact investing vs. Art. 9 SFDR

| Key features of impact investing | | Alignment | Art. 9 SFDR |
|---|---|---|---|
| **Intentionality** | Strategic impact objective(s) | | Sustainable investment objective |
| | Impact thesis | | Not required, only link between sustainability indicator and objective |
| | Targeted impact | | Not required, can also be ex-post measurement only |
| **Measurability** | Asset contribution | | Invested economic activity must contribute to sustainable investment objective (no full impact pathway) |
| | Investor contribution | | Not required |
| | Impact KPIs and measurement process | | Sustainability indicator must be defined and measured, some information on methodology must be disclosed on the website |
| **Impact Management** | Scope of the impact strategy | | Only sustainable investments plus investments held for specific purposes (e.g. liquidity management, hedging) |
| | Managing impact performance | | Investment must at all times qualify as sustainable investment, non-compliance leads to disposal or reclassification of product |
| | Managing negative impacts (DNSH) | | Taking into account pre-defined PAI indicators and alignment with Minimum Safeguards |
| | Engagement | | Not required |
| **Reporting** | Impact reporting | | Periodic reporting under SFDR limited to investments made, application of sustainable investment methodology, sustainability indicators, Taxonomy and actions taken (if any) |

# Recognition of Impact Investing in the EU Sustainable Finance framework

## Focus of European regulators on "impact washing"

| ESMA | EBA (European Banking Authority) | EIOPA (European Insurance and Occupational Pensions Authority) |
|---|---|---|
| Progress Report on Greenwashing published on 31 May 2023<br><br>• Misleading claims about real-world impact are a high-risk area and there are currently no rules in the EU sustainable finance framework (p. 20, 40)<br>• Typical situations include: (1) exaggeration based on an unproven causal link between ESG metric and real-world impact; (2) no clarity where impact is factored in or achieved; (3) no information about main aspects of impact framework (intentionality, additionality and impact measurement) (p. 20, 21)<br>• For funds and investment managers: differentiation between "buying" impact (= exposure to impactful companies, typically Art. 9 SFDR) and "creating" impact (= financing transition or supplying capital to new sustainable solutions, can be Art. 8 or 9 SFDR) (p. 41)<br>• Illustrative examples include: (1) lack of commitment (only non-binding objective); (2) divergence between impact claim and actual portfolio composition; (3) confusion about the type of impact achieved ("buying" impact or "creating" impact, see above) (p. 40, 41) | Progress Report on Greenwashing Monitoring and Supervision published on 31 May 2023<br><br>• Misleading claims on sustainability results and real-world impact is one of the three main types of misleading claims (p. 25)<br>• Illustrative examples of greenwashing relating to real-world impact include:<br>(1) no information to substantiate claim;<br>(2) no contractual commitment for investee company; (3) no information on how impact is measured; (4) lack of actual impact on investee company behaviour; (5) no disclosure on limited scope of impact or impact-related activities (p. 27, 28)<br>• Respondents to consultation identified absence of/under-developed regulatory framework for real-world impact claims as relevant gap (in particular, the lack of distinction between investor and investee company impact) (p. 53) and EBA confirms that currently (May 2023) no EU regulatory mitigant for claims on real-world impact exists (p. 67) | Progress Report on Greenwashing published on 1 June 2023<br><br>• Product design: Impact investing is considered as an aspect of value for money in product design, with product manufacturers over-emphasising positive impact or lack of measurability (p. 27)<br>• Marketing: Products using "impact" in their names, making impact claims or using suggestive visuals (e.g. UN SDGs) without adequate SFDR disclosures or status (p. 30, 31)<br><br>*Illustrative greenwashing cases relate to impact claims, but EIOPA seems to conflate impact with sustainable investments and Art. 9 SFDR and takes a regulation-based approach*<br><br>Consultation on Opinion on sustainability claims dated 17 November 2023<br><br>• No specific mentioning of impact investing<br>• Contains general rules on sustainability claims (accurate, precise and consistent, up to date, substantiated, accessible) |

The ESAs' final reports on greenwashing have been published in 2024 (EBA, ESMA, EIOPA) and focus on the supervisory instruments available to national regulators to combat greenwashing.

# Recognition of Impact Investing in the EU Sustainable Finance framework

## Impact investing in other jurisdictions

FCA FINANCIAL CONDUCT AUTHORITY

### UK Financial Conduct Authority (FCA) on Sustainability Disclosure Requirements (SDR) and investment labels

*Published November 2023*

To qualify for the “Sustainability Impact label” a fund’s sustainability objective should be consistent with the aim of achieving a pre-defined positive, measurable, impact in relation to an environmental and/or social outcome.

Substantive requirements:

- Invest at least 70% of gross assets in accordance with the fund’s sustainability objective
- Theory of change must be specified by asset manager by setting out how it expects (1) its investment activities and (2) the fund’s assets to contribute to positive impact
- Method for measuring and demonstrating the positive impact of both, (1) the asset manager’s investment activities and (2) the fund’s assets

金融庁 Financial Services Agency

### Japan Financial Service Agency (FSA) Basic Guidelines on Impact Investment (Impact Finance)

*Published on 29 March 2024*

Impact investment “is an investment that intends to realize social or environmental impact, at the same time to secure financial return. […] it is characterized by identifying specific social or environmental impact that should be realized through an individual investment, as well as strategies and causal pathways to realize the impact.” (p. 1)

Guidelines outline four pillars:

- Intention: Clarify the impact, formulate strategies and policies to achieve target, alignment with investee company intention, consider negative secondary effects (reference to theory of change)
- Contribution: Specify concrete contribution to investee company’s impact creation, consider & endeavour appropriate measures (including financial and non-financial support)
- Identification, measurement and management: Continuous measurement and management post-investment, tracking of (preferably quantitative) KPIs, dialogue and information sharing
- Support transforming or accelerating transformations: Identify & assist characteristics which can create or accelerate change, conduct dialogue to harness investee companies’ potential to expand, develop and gain support

ASSET MANAGEMENT ASSOCIATION

### Swiss AMAS Sustainable Finance Self-Regulation

*Dated 1 November 2023*

Includes “impact investing” as one of seven sustainable investment approaches

Impact investments intend to generate a measurable, beneficial social and/or environmental impact alongside a financial return.

Important differentiating factors from other forms of sustainable investments (namely thematic investments):

- Intentionality of an investment in a sector/activity with positive impact
- Management process allowing for direct impact/impact approach
- Measurability of impact through relevant KPIs

Fund managers and portfolio managers of funds must disclose which of the sustainable investment approaches is used.

# Recognition of Impact Investing in the EU Sustainable Finance framework

## SFDR review timeline

2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027

**10 Mar 2021**
First application of SFDR

**2022**
EU Commission announces comprehensive assessment of SFDR framework

**From 1 Jan 2023**
Application of SFDR RTS

**From 20 Feb 2023**
Integration of fossil gas and nuclear energy into SFDR RTS templates

**April to July 2023**
ESAs consultation on SFDR RTS amendments

**Sept to Dec 2023**
EU Commission public and targeted consultations on SFDR review

**4 Dec 2023**
Final Report ESAs on SFDR RTS amendments

**During 2024**
Publication of various statements from regulators on how to revise SFDR

**3 May 2024**
Publication of summary report of public and targeted consultations on SFDR review

**Dec 2024**
Platform on Sustainable Finance advice to EU Commission regarding SFDR review

**Feb 2025**
EU Commission announcement on SFDR review (as part of work program)

**May 2025**
EU Commission call for evidence on SFDR review

**Q4 2025**
Expected publication of revised SFDR proposal by EU Commission

**Window of opportunity**

**Q2 2026**
Potential entry into force of revised SFDR proposal

**Q2 2027**
Potential application of revised SFDR proposal

**Status 30 June 2025**

# Recognition of Impact Investing in the EU Sustainable Finance framework

## EU Commission and impact investing – not yet decided…

**European Commission Summary Report of the Open and Targeted Consultations on the SFDR assessment (May 2024)**

Categories most supported by respondents were:

**A - Products investing in assets that specifically strive to offer targeted, measurable solutions to sustainability-related problems that affect people and/or the planet**, e.g. investments in firms generating and distributing renewable energy, or in companies building social housing or regenerating urban areas.

**D - Products with a transition focus aiming to bring measurable improvements to the sustainability profile of the assets they invest in**, e.g. investments in economic activities becoming taxonomy-aligned or in transitional economic activities that are taxonomy-aligned, investments in companies, economic activities or portfolios with credible targets and/or plans to decarbonise, improve workers' rights, reduce environmental impacts.

**European Commission Call for evidence for an impact assessment (May 2025)**

Possible options to be examined for a revised SFDR include: **(1) targeted changes** and clarifications to the existing disclosures; or

**(2) more far-reaching changes** involving the establishment of a number of categories reflecting different sustainability objectives of financial products, underpinned by common criteria (e.g. products contributing to a sustainability objective, products contributing to the transition, or products contributing to other ESG strategies).

**Platform on Sustainable Finance (December 2024)**

Recommended to develop a common understanding on impact investing in the EU sustainable finance framework. Possible minimum quality requirements that could be considered:

(1) **Impact at company level**, through intentionality (clear intention to generate positive impact), theory of change (reporting on how the investment leads to impact), key performance indicators (financial and non-financial), additionality and organizational set-up (structures supporting impact delivery and measurement).

(2) **Investor impact**, i.e. how the investor contributes to generating real-world impact, for example through signaling that impact matters, supporting new or undersupplied markets, providing flexible capital for impact needs and engaging with investees and stakeholders.

# Recognition of Impact Investing in the EU Sustainable Finance framework

## Ideas of regulators on a revised SFDR

**AMF (France)**
**(February 2024)**
Emphasizes that SFDR was supposed to be a disclosure regime, not a labeling system (although used in practice as such). Supports the idea of categorizing products based on their contribution to sustainability factors, with a strong focus on EU Taxonomy / external definitions of what is sustainable.

**AFM (Netherlands)**
**(December 2023)**
Recommends introducing three clear product labels: "transition," "sustainable," and **"sustainable impact.**" The latter should be tailored to products that aim to generate measurable real-world effects.

**Joint ESAs Opinion on the assessment of the SFDR**
**(June 2024)**
Suggested the following new categories:

**(1) Sustainable product category** for products that invest in economic activities / assets that are already environmentally and/or socially sustainable.

**(2) Transition product category** for products that invest in economic activities / assets that are not yet sustainable, but which improve their sustainability over time to become environmentally or socially sustainable.

**Sub-category for "investor's impact"** designed for products that invest in economic activities / assets that aim to offer solutions to sustainability-related problems (i.e., a positive measurable impact on an environmental or social objective) together with a financial return.

**BaFin (Germany)**
**(August 2024)**
Supports simplifying and strengthening the SFDR to make it more effective for investors. Does not mention Impact Investing.

**BaFin, AFM, FMA (Austria) Joint Letter to the Commission on the Revision of the SFDR**
**(May 2025)**
Promote two main categories: "sustainable products" and "transition products".

# Recognition of Impact Investing in the EU Sustainable Finance framework

## Impact investing wanted? Industry reactions to SFDR review

| Pro | Con |
|---|---|
| **Investment Association:** "(..) we also recommend that the European Commission explores how impact investing could fit into the existing framework, as we recognise the inherent challenges of the concept and the lack of a unified definition within the EU.<br>An impact category or sub-category should **align with the international definition provided by the Global Impact Investing Network (GIIN)** framework and **recognise** the **distinct investment process** and real-world impact goals of impact funds and also should be **applicable to public and private market funds**." | **Invest Europe**: "We believe that SFDR **should remain a disclosure-based regime** and should not be replaced by a product categorisation regime. The current SFDR framework is well understood, and our members have invested significant time, capital, and resources in its implementation. In our view, **a formal product categorisation regime poses substantial risks for private fund managers**. Many such managers raise and offer a single fund globally, requiring them to manage the competing sustainability-related objectives and priorities of investors, governments and regulators across jurisdictions. Imposing product labels in the EU may be **incompatible with regulatory requirements** or investor expectations **in other regions**, likely heightening the **risk of litigation** and other challenges." |
| **INREV:** "Formalising this recognition would enable the **mobilisation of private capital** into high-impact areas, **increase comparability** and clarity for investors, and help safeguard against greenwashing by establishing a clear, outcomes-based foundation for impact-labelled financial products. It would also align SFDR with **fast-evolving market practices** and **investor demand** for more intentional and measurable forms of sustainable investment."<br><br>**Insight Investments / BNY Investments:** "An impact category should **align with the international definition** provided by the Global Impact Investing Network (GIIN) framework and **recognise the distinct investment process** and real-world impact goals of impact funds and also should be **applicable to public and private market funds**." | **BVI**: "Focus on positive contribution to an environmental/social objective ("sustainable"): This category would encompass products that aim at making a measurable positive contribution to either environmental and/or social objective as defined in the specific product terms. In order to avoid scientifically sophisticated debates about the definition of sustainable impact, we **recommend widening the scope of this product category** to include not only strategies focusing on generating new impact, but also so-called impact-aligned products that aim at supporting impactful companies and projects. The broader term "contribution" should be used to encompass both impact-generating and impact-aligned investment." |
| **Schroders**: "A separate category would **clarify offerings**, **mitigate greenwashing**, and **enhance transparency** through robust impact measurement and governance." | **BlackRock:** "A **flexible**, principles-based **categorisation framework**, backed up with relevant disclosures, is best suited to reflect the broad range of sustainable objectives that investors have - from risk management through exclusions, to impact. **Narrow or overly prescriptive labels would fail to capture this diversity**." |

# Recognition of Impact Investing – today's panelists

**Sarah Hessel,**
Head of Impact,
Finance in Motion

**Matt Ripley,**
Director,
Impact Frontiers

**Dorris Kirui (CESGA),**
Senior ESG Manager,
BarmeniaGothaer Asset Management AG

**Michael Bommer,**
Head of Sustainable Finance & ESG,
BAI e.V.
**(Moderator)**

# Recognition of Impact Investing in the EU Sustainable Finance framework

The Policy Paper

**“Recognition of impact investing in the EU Sustainable Finance framework and how this could look like –**

**Enabling the impact investing market in the EU and supporting market growth, innovation, and competition”**

can be downloaded here or via QR-Code:

BAI REPRESENTING ALTERNATIVE INVESTMENTS