

# Position Paper Impact Investing in SFDR 2.0

## Introduction

The review of the Sustainable Finance Disclosure Regulation (SFDR) provides an important opportunity to clarify the role of impact investing within the European Union's sustainable finance framework. The draft SFDR 2.0 introduces the concept of a "sustainability-related financial product with impact", defined as a financial product categorised under the new Article 7 (Transition Products) or Article 9 (Sustainable Products) that aims to generate a predefined, positive and measurable social or environmental impact.

While this represents a significant step towards recognising impact-oriented investment strategies, several challenges remain. Addressing these issues is crucial to ensure that the regulation provides sufficient clarity for financial market participants and maintains the credibility of impact-related claims. This position paper highlights four key areas where the regulatory framework could be strengthened and provides concrete policy recommendations to address them.

The following organisations support the recommendations in this paper:



F.I.R.S.T.

Finance Impact Research  
Sustainability Transparency



Steyler *Ethik* Bank  
Wo Geld Gutes schafft



Forum Nachhaltige Geldanlagen



ESG Portfolio  
Management



INVEST  
IN  
VISIONS



intalcon alpha for  
impact



Bundesverband  
Impact Investing



Soehholz ESG



Pax-Bank  
für Kirche  
und Caritas

GLS Investments



## Challenge 1: Lack of a Clear Definition of Impact

The current SFDR 2.0 proposal does not provide a clear definition of “impact”. Without a precise definition, it becomes difficult to determine what constitutes a legitimate impact claim and how financial products should demonstrate their contribution to environmental or social objectives. The absence of a clear definition of “impact” risks repeating one of the key weaknesses of the current SFDR framework, where conceptual ambiguity has led to confusion and uncertainty across the market.

### Recommendation 1:

- a. **Article 2(26) should be rephrased** as “sustainability-related financial product with impact’ means a financial product categorized in accordance with Article 7 or 9 that has as its objective the generation of a pre-defined, positive and measurable social or environmental **effect**.”<sup>1</sup>
- b. **The following new Recital 21 should be added:** Article 2(26) refers to ‘sustainability-related financial product with impact’ as financial products with the objective to generate a pre-defined, positive and measurable social or environmental effect to increase interoperability between the Commission’s delegated regulation (EU) 2023/2772 and the SFDR. Delegated regulation (EU) 2023/2772 defines impact(s) as effects on the level of financial and non-financial undertakings. Article 2(26) uses the same understanding of impact(s) as effects, making sure that the meaning of the term is consistent across the EU’s Sustainable Finance framework and at the level of financial undertakings, financial products, and non-financial undertakings.

Recommendation 1a specifies the meaning of “impact” as “effect”, changing the currently tautological definition in a way that enhances interoperability between the European Sustainability Reporting Standard (ESRS) and the SFDR 2.0 Proposal.<sup>2</sup> Recommendation 1b explains the rationale for the changed formulation of Article 2(26). The proposed change increases the interoperability of the EU’s Sustainable Finance Framework, simplifying its application for financial market participants that are required to report under the ESRS. It also increases conceptual clarity and consistency more generally, supporting SFDR’s implementation for financial market participants not required to report under the ESRS as well. Beyond advancing the goal to simplify and increase conceptual clarity and consistency, the proposed change to Article 2(26) is also in line with recommendations from market practitioners to define a financial product’s impact objective as the aim to “achieve positive and measurable social or environmental **effects**.”<sup>34</sup>

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<sup>1</sup> Negative impacts are addressed in the transition and sustainable category through the identification and disclosure of principal adverse impact (PAI) indicators, including an explanation of actions taken to address those PAI indicators.

<sup>2</sup> The ESRS define impacts as “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. The impacts can be actual or potential, negative or positive, intended or unintended, and reversible or irreversible. They can arise over the short-, medium-, or long-term. Impacts indicate the undertaking’s contribution, negative or positive, to sustainable development.” (ESRS, p. 269).

<sup>3</sup> [BAI, BVII, 2025](#): Why impact investing should be recognised in the EU Sustainable Finance framework and how this could look like. (p. 8)

<sup>4</sup>

## Challenge 2: Recognition of Established Market Standards for Impact Investing

In the current draft of SFDR 2.0, impact investing is presented as an “add-on” to financial products that fall under the transition (Article 7) or sustainable (Article 9) categories. These categories contain both qualification criteria and corresponding pre-contractual disclosures. Additional disclosure requirements are introduced for financial products with impact, such as information on intended impacts, impact theories, impact measurement and management provisions, and investor contribution.

However, the draft does not explicitly reference existing market standards for impact investing, even though these standards already provide widely accepted guidelines and practices for how impacts are assessed, managed, and communicated. This omission risks creating uncertainty about how impact investments should be implemented in practice.

### Recommendation 2:

**Recital 20 should be updated as follows:** “[...] **Following impact investing market standards**, specific disclosures should therefore apply to financial products that are categorised as sustainability-related financial products with sustainability or transition-related objectives and that pursue specific impacts as understood for these types of investment practices. [...]”

The proposed update ensures that the SFDR 2.0 framework acknowledges and aligns with established market standards for impact investing—such as commonly used principles, industry guidelines, and recognised approaches to measuring and managing impact.

Referencing these existing standards helps create consistency in how impact-related concepts are used across the market, supports comparability for investors, and reduces interpretative uncertainty for financial market participants.

### Challenge 3: Absence of Explicit Impact KPIs

As described above, the current SFDR 2.0 proposal requires sustainability-related financial products with impact to disclose intended impacts and underpin them with a predefined impact theory. Since these impact products are also categorized as either sustainable or transition, they are required to measure the achievement of the 70% threshold using “appropriate sustainability-related indicators” (SFDR proposal, Articles 7(1a) and 9(1a)). In an impact investing strategy, the indicators necessary to measure the pre-set impact theory might, however, go beyond what would be necessary to measure the achievement of a transition or sustainable objective.

For example, according to the current SFDR 2.0 proposal, a sustainability-related financial product could be categorized as transition if it complies with the relevant exclusions and invests in undertakings with a credible transition plan. This selection criterion focuses on an undertaking’s activities (i.e., a transition plan), rather than the social or environmental outputs it produces or the social or environmental outcomes these outputs influence. Credible impact theories often require measuring concrete environmental and social outputs of assets or investee companies, including their connection to social or environmental outcomes. Impact theories might also require measuring concrete investor actions to provide evidence of investors’ contribution. Consequently, implementing an impact investing strategy might require using sustainability-related indicators that go beyond the indicators prescribed in the transition or sustainable category.

#### Recommendation 3:

- a. **Rephrase Article 7(4b):** For financial products with a transition objective falling within the meaning of Article 2, point (26), the information to be disclosed shall also contain:
  - (a) [...]
  - (b) provisions to measure, manage, and report on the desired impact pursuant to point (a) **using appropriate sustainability-related indicators**, including in terms of investments by the financial product and the contribution of investors in the financial product.
- b. **Rephrase Article 9(4b):** For financial products with a sustainability objective falling within the meaning of Article 2, point (26), the information to be disclosed shall also include:
  - (a) [...]
  - (b) provisions to measure, manage, and report on the desired impact pursuant to point (a) **using appropriate sustainability-related indicators**, including in terms of investments by the financial product and the contribution of investors in the financial product.

The proposed changes to Articles 7(4) and 9(4) of the SFDR 2.0 reduce the risk of green- or impact-washing by requiring sustainability-related indicators as evidence for impact theories. At the same time, the recommendations ensure the necessary flexibility for product manufacturers to build impact theories following investor preferences. Which indicators are necessary, consequently, depends on the impact theory that investors and product manufacturers determine.

## Challenge 4: Unclear Concept of Investor Contribution

A key achievement of the SFDR 2.0 proposal is the introduction of investor contribution as a characteristic of impact products. Article 7(4b) and 9(4b) do, however, introduce an ambiguous formulation of the concept of investor contribution. They refer to “provisions to measure, manage, and report on the desired impact pursuant to point (a), including in terms of investments by the financial product and the contribution of investors in the financial product.” (Articles 7(4b) and 9(4b)). This approach excludes the investor contribution of financial products, focusing instead on the contribution of investments and of investors in the financial products. It also ignores different forms of investor contribution.

### Recommendation 4:<sup>5</sup>

- a. **Rephrase Article 7(4b):** For financial products with a transition objective falling within the meaning of Article 2, point (26), the information to be disclosed shall also contain:  
[...]  
(b) provisions to measure, manage, and report on the desired impact pursuant to point (a), including in terms of investments by the financial product and the **financial or non-financial investor contribution.**
- b. **Rephrase Article 9(4b):** For financial products with a sustainability objective falling within the meaning of Article 2, point (26), the information to be disclosed shall also include:  
(b) provisions to measure, manage, and report on the desired impact pursuant to point (a), including in terms of investments by the financial product and the **financial or non-financial investor contribution.**

Recommendations 4a and 4b tackle the ambiguities mentioned above by broadening the scope of investor contribution, not only referring to investors in the financial product. With the proposed formulation, investor contribution can refer to both the financial product and the investor in the financial product, e.g., in the case of institutional investors who influence asset managers. This proposal supports the review’s goal of simplification by increasing conceptual clarity and consistency. It follows recommendations for defining investor contribution from market participants by also including the FMP, i.e., the manager of the financial product, as the one who can contribute towards the positive impacts of their investments.<sup>6</sup>

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<sup>5</sup> For a formulation that includes all recommendations made in this position paper, see section „Summary of proposed changes to SFDR 2.0 proposal” below.

<sup>6</sup> [BAI, BVII, 2025](#): Why impact investing should be recognised in the EU Sustainable Finance framework and how this could look like. (p. 11)

## Conclusion

The ongoing review of the Sustainable Finance Disclosure Regulation represents a crucial moment to strengthen the role of impact investing within the EU's sustainable finance architecture. The draft SFDR 2.0 acknowledges the growing importance of impact-oriented investment strategies by introducing the concept of a "sustainability-related financial product with impact". Yet, without further refinement, key elements of the proposal risk leaving financial market participants without the clarity, consistency, and credibility needed to confidently design, market, and assess impact products.

This position paper identifies four areas where targeted improvements are essential:

- (1) establishing a clear and interoperable definition of "impact",
- (2) recognising established impact investing standards in the market
- (3) ensuring the use of appropriate impact KPIs, and
- (4) clarifying the concept of investor contribution.

The proposed recommendations directly address these gaps. They reinforce conceptual coherence across the EU sustainable finance framework and enable investors to distinguish meaningfully between transition, sustainable, and impact products. The recommendations are also aligned with existing market expectations and provide a suitable basis for more detailed Level 2 discussions.<sup>7</sup>

By strengthening these foundational elements, SFDR 2.0 can better achieve its overarching goals: enhancing comparability, improving transparency, and reducing the risk of green- or impact-washing. More importantly, it can build the regulatory certainty necessary for market participants to scale impact investing as a credible and effective strategy for achieving Europe's social and environmental objectives. Clear rules, consistent terminology, and robust impact expectations are indispensable for mobilizing capital towards measurable, real-world outcomes – an ambition at the very heart of the EU's sustainable finance agenda.

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<sup>7</sup> For more detailed guidelines on how to implement and disclose impact investing in practice, including possible inputs for level 2 discussions, see [BAI, BVII, 2025: Why impact investing should be recognised in the EU Sustainable Finance framework and how this could look like](#).

## Summary of proposed changes to the SFDR 2.0 proposal

### Recitals:

**Recital 20 should be updated as follows:** “[...] **Following impact investing market standards**, specific disclosures should therefore apply to financial products that are categorised as sustainability-related financial products with sustainability or transition-related objectives and that pursue specific impacts as understood for these types of investment practices. [...]”

**The following new Recital 21 should be added:** Article 2(26) refers to ‘sustainability-related financial product with impact’ as financial products with the objective to generate a pre-defined, positive and measurable social or environmental effect to increase interoperability between the Commission’s delegated regulation (EU) 2023/2772 and the SFDR. Delegated regulation (EU) 2023/2772 defines impact(s) as effects on the level of financial and non-financial undertakings. Article 2(26) uses the same understanding of impact(s) as effects, making sure that the meaning of the term is consistent across the EU’s Sustainable Finance framework and at the level of financial undertakings, financial products, and non-financial undertakings.

### Articles:

**Updated Article 2(26)** “‘sustainability-related financial product with impact’ means a financial product categorized in accordance with Article 7 or 9 that has as its objective the generation of a pre-defined, positive and measurable social or environmental **effect**.”

**Updated Article 7(4):** “For financial products with a transition objective falling within the meaning of Article 2, point (26), the information to be disclosed shall also contain:

- (a) [...]
- (b) provisions to measure, manage, and report on the desired impact pursuant to point (a) **using appropriate sustainability-related indicators**, including in terms of investments by the financial product and the **financial or non-financial investor contribution**.

**Updated Article 9(4):** For financial products with a sustainability objective falling within the meaning of Article 2, point (26), the information to be disclosed shall also include:

- (a) [...]
- (b) provisions to measure, manage, and report on the desired impact pursuant to point (a) **using appropriate sustainability-related indicators**, including in terms of investments by the financial product and the **financial or non-financial investor contribution**.