The Case for Impact: Enhancing EU's SFDR Framework

POSITION PAPER

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The Investing for Impact Network

Executive Summary

Introducing an impact category in the Sustainable Finance Disclosure Regulation (SFDR) is essential for ensuring the integrity and growth of the impact ecosystem. While the impact investing market is still growing and maturing, it plays a key role in supporting EU policy goals, such as the green, digital and just transitions and the social economy. Impact investors drive innovation by funding solutions to green and social challenges; they support start-ups as they progress through the critical "valley of death" phase towards maturity and scalability. Both Ursula von der Leyen, in her *Political Guidelines* for the next European Commission (2024-2029), and Mario Draghi, in his report *The Future of European Competitiveness*, emphasise the importance of enhancing Europe's competitiveness, fostering innovation — especially among small and medium-sized enterprises (SMEs) and start-ups — and mobilising European private capital to support sustainable economic growth, thereby reducing dependence on foreign financing. Establishing supportive legal frameworks for impact investing will be key to achieving these goals.

Key positions:

Support Growing Interest in Impact Investing: Interest in impact investing is rapidly increasing among both institutional and retail investors. A dedicated impact reporting category would increase the integrity of impact investments while unlocking further capital.

Acknowledge the Unified Definition of Impact Investing: European stakeholders have agreed on a clear definition of impact investing, centred on intentionality, impact measurement and management, and financing companies that address social or environmental challenges. This consensus supports the establishment of a distinct impact category, clarifies various ESG investing approaches and enhances consumer protection in financial markets.

Focus on Reporting Positive Impact: Current SFDR reporting categories, such as Article 9, place excessive reporting burdens on impact funds, especially those investing in unlisted SMEs. An impact category would better align reporting with impact claims and measurement practices, alleviating these challenges.

Call to Action: Impact Europe calls on EU policymakers to establish a distinct and voluntary impact category under the SFDR, aligned with the European market's definition of impact investing. A differentiation between sustainable and impact investment products, including both private and public market investments, could serve as a solution to safeguard and grow the impact investing market.

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SFDR Review and the Case for a Distinct Impact Category

The EU's Sustainable Finance Disclosure Regulation (SFDR), in force since 2021, is a key component of the European Union's broader legislative efforts to foster and direct private capital to finance a more just, green and digital economy. While the SFDR set ambitious goals and made significant strides toward enhancing ESG transparency in financial markets, several implementation challenges have emerged, prompting a review after two years.

In response, the European Commission (EC) launched a public consultation in the fall of 2023, inviting stakeholders to share their views. Among the contributors were Impact Europe, GSG Impact's National Partners on Impact Investing and the Global Alliance for Impact Lawyers, all advocating for revisions to the SFDR to better support impact investing. Throughout 2024, EU authorities, such as the European Supervisory Authorities (ESAs), and advisory groups to the Commission, such as the Platform on Sustainable Finance, published their opinions to guide the revision of the EC's SFDR proposal, expected during the next legislative term.

The EC's consultation summary revealed strong support for a voluntary categorisation system regulated at the EU level, particularly highlighting the need for an "Impact/product A". Notably, 73% of respondents (200 out of 276) found this category useful to a large or very large extent.

While there is a clear market preference for an impact category, both the ESAs and the Platform on Sustainable Finance have expressed reservations. In this position paper, we aim to engage with these viewpoints, address key concerns and clarify the necessity of an impact category within the future SFDR. We also emphasise the importance of aligning regulatory frameworks with evolving market needs.

Building Visibility and Growth for Impact Investing

A common argument from various stakeholders and authorities against introducing a distinct impact category within the SFDR at this stage, even if voluntary, is that the impact investing market is still too small, and too few funds would qualify, and hence report, under this category.

In recent years, Impact Europe, in collaboration with the GSG Impact and the European National Advisory Boards for impact investing, has worked to measure the size of the European impact investing market. The 2024 study[i] reveals that the **European private impact investing market manages €190 billion in assets under management (AUM), encompassing both direct and indirect investments in unlisted assets[ii].** This figure represents 2.5% of the €7.6 trillion in total AUM identified as eligible for impact investing across Europe[iii].

The private impact investing market has experienced remarkable growth, with total assets under management (AUM) increasing from €80 billion in 2022 (covering only direct investments)[iv] to €190 billion in 2024, including both direct (€113 billion at the end of 2023) and indirect investments. This expansion is driven by three key factors: actual growth in direct assets under management, but also the inclusion of indirect investments, and the addition of new countries in the study.

Direct impact investments grew by 20% between 2022 and 2023, following similar growth patterns seen in previous periods, such as the 26% increase from 2020-2021. Impact investing,

though smaller than ESG and sustainable investing (€4.7 trillion, 62% of total European AUM), is growing rapidly, with a **growth rate that surpasses ESG investing (17%).**[v]

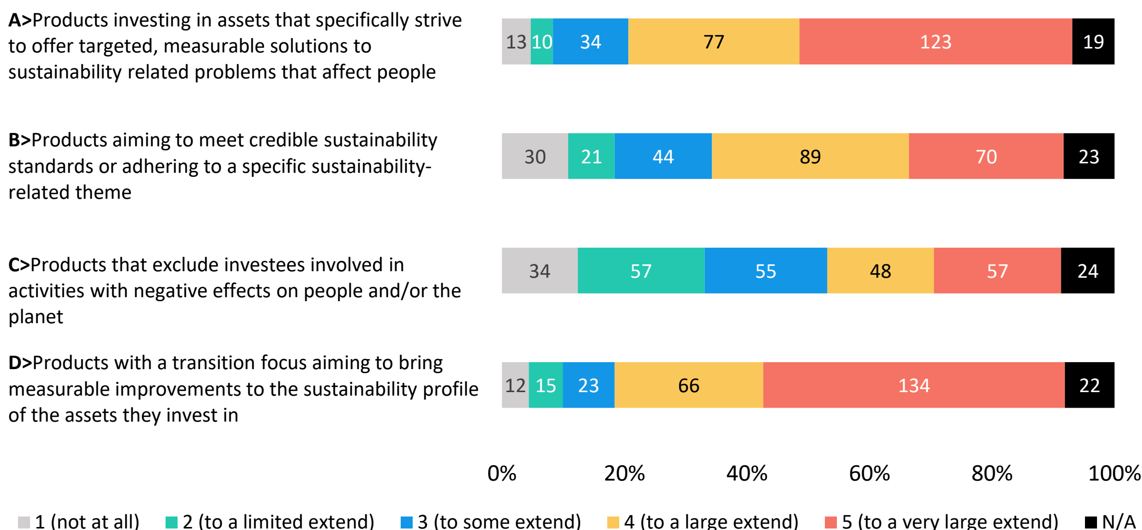
Impact Europe's €190 billion AUM figure only includes investments in **private markets.** When **public market** investments are considered, the Global Impact Investing Network (GIIN) estimates that the size of the impact investing market worldwide is $1.571 trillion USD in 2024. The European impact investing market is a significant contributor to the global sector, with western, worthern, and southern Europe hosting 45% of impact investors and managing 53% of global impact AUM (approximately $832.63 billion USD).[vi]

Additionally, BNP Paribas' ESG Global Survey 2023 predicted that impact investing would overtake ESG integration as the most popular strategy for investors to achieve sustainability.[vii] The survey of 420 asset owners and managers, including hedge funds and private equity firms, revealed that 45% have already adopted impact investing, with this figure expected to rise to 54% within the next two years.

Schroders also found that almost 60% of the 700 global investors included in its 2023 institutional investor survey identified impact investment as their preferred approach to sustainable investing. Member feedback to one of the Dutch Pension Funds, Pensioenfonds Detailhandel, revealed that sustainability, impact investing and long-term investments are their top interest and values.[viii]

In France, retail social finance savings grew by 15% in 2023, surpassing €30 billion in assets, according to the Social Finance Barometer published by FAIR, France's social impact investment association, and the French daily *La Croix*. Notably, employee savings going to social enterprises grew by 17.6%, reaching €2.7 billion in 2023, and accounted for 9.5% of total employee savings, up from 9.4% in 2022 and 8.4% in 2021. These savings attracted between 1.2 and 1.3 million employees across the country and outpaced the overall growth in employee savings. The majority of these funds are invested through 90/10 schemes, which require between 5% and 10% of their assets to be directed towards accredited 'solidarity-based enterprises of social utility'. **As of 2023, total social finance employee savings reached €18 billion, nearly doubling from €9.7 billion in 2019.**[ix]

A similar trend emerged in the feedback received by the EC during the open and targeted consultations on the SFDR, which closed in December last year. According to the Commission's summary report, **the most supported categories were transition/product D,** with 80% of respondents (200 out of 249) finding it useful to a large or very large extent, **and impact/product A,** with 73% support (200 out of 276). In contrast, sustainable product B was deemed useful by 58% of respondents, while only 38% found exclusion product C useful.[x]



Graph 1 – Views on the four proposed sustainability categories. Source European Commission. 2023. "Summary Report of the Open and Targeted Consultations on the SFDR Assessment 14 September 2023 - 22 December 2023"

Although still emerging in comparison to the broader European investment market, the impact investing sector plays a key role in advancing EU policy goals, including the green, digital and just transitions, and the social economy. Both Ursula von der Leyen, in her *Political Guidelines* for the next European Commission (2024-2029), and Mario Draghi, in his report *The Future of European Competitiveness*, highlight the need to enhance Europe's competitiveness, foster innovation — especially among SMEs and start-ups — and mobilise European private capital to support sustainable economic growth while reducing reliance on foreign financing.

Impact investors play a crucial role in this context, especially by investing in innovative solutions to green and social challenges and supporting start-ups as they progress through the "valley of death" towards maturity and scalability (see examples in the table below).

Impact Investors Financing Innovation

One example is Powerful Medical, a portfolio company of CB ESPRI, a social impact management firm operating in Slovakia since 2022. Founded by brothers Martin and Robert Herman, Powerful Medical has developed an AI-powered system to improve cardiovascular diagnostics. Their technology reduces misdiagnosis and enhances the diagnostic capabilities of emergency medical services, all while lowering costs. In 2023, the company prioritised measuring its positive impact, particularly by improving healthcare inclusion through increased accessibility and efficiency.

Another example is ELV.AI, also a CB ESPRI portfolio company. This tech start-up evolved from a corporate social project into an AI tool for moderating online content. During the Russian invasion of Ukraine in 2022, their AI model vetted over a million comments, helping to combat misinformation and hate speech on social media, and contributing to stronger internal security. ELV.AI also provides its services to

NGOs and public institutions at discounted rates, while running educational programs to improve media literacy.

The recent 'NN Social Innovation Startup Award', a program supporting early-stage social enterprises in collaboration with Rubio Impact Ventures, highlighted promising people-tech start-ups during Impact Week 2024 in Bilbao. These included: Brinos, which provides early pre-screening and monitoring for behavioral changes in children with autism; Easee, offering the first clinically proven online eye exam; Whispp, a deep-tech start-up with an AI-powered app that converts whispered or impaired speech into clear, natural voice in real-time; Sofie, which supports employers and financial institutions by leveraging behavioral economics and fintech to enhance personal financial management; and **Light Mirror, which develops reflective panels to bring sunlight into hospitals and care homes, reducing reliance on artificial lighting and heating.**

The BBK Foundation's entrepreneurship program in Bizkaia, Spain, also showcased innovative social entrepreneurs tackling diverse challenges: BeGas Motos, providing sustainable solutions for combustion engines; INSEKT LABEL BIOTECH SL, specializing in insect-based biotechnology; AUZIKIER Technology, which develops training kits for service dogs in health detection (e.g., epilepsy attacks), forensic work, and bio-detection, offering innovative solutions aligned with SDG 16 for internal and external security.

The Cartier Women's Initiative spotlighted Biozeroc, a climate-tech start-up leveraging biotechnology and scalable process technology to develop carbon-negative construction materials. Their patent-pending BioConcrete solution eliminates the need for cement in concrete production, significantly reducing carbon emissions. Another highlighted initiative was The Gravity Wave, which focuses on removing plastic from the ocean. The company collaborates with local fishermen to extract ocean plastic, transforming it into valuable resources, thus promoting sustainability and community engagement.

These cases illustrate how impact investors not only finance innovation but also ensure that these ventures deliver meaningful societal benefits. **To deliver on Ursula Von der Leyen's and Mario Draghi's ambitions for the EU's economy, it is crucial to establish supportive legal frameworks that channel more European private capital into impact investing. This will be essential to bridge the funding gap for innovative impactful companies, particularly SMEs and Start-ups.**

Moreover, impact funds are a significant source of finance for the social economy and contribute to the implementation of the EU's Social Economy Action Plan. Venture capital and private equity impact funds represent 39% of assets under management directly invested in unlisted assets, playing a key role in financing social economy entities, particularly social enterprises.[xi] **A failure to fully acknowledge impact funds under the future SFDR could exacerbate existing funding gaps, which the EU's Social Economy Action Plan estimates at nearly €1 billion annually across Europe.**

One of the EC's new initiatives for the social economy in 2024 and 2025 focuses on enhancing transparency and trust within the ecosystem.[xii] This includes improving impact measurement practices and encouraging the development of impact performance intelligence services and

financial rating agencies to foster sectoral development and innovation. An SFDR impact category would enhance the quality of data on social impact for future benchmarking, support the development of impact measurement systems, and potentially contribute to the creation of a social taxonomy. Ultimately, this will enable more informed investment decisions and attract more capital to social impact investing and social enterprises.

As interest in impact investing continues to grow, preserving its integrity is essential. In this context, it is vital to clearly distinguish between different investment approaches, such as ESG, sustainability, transition and impact. Ensuring this information is accessible and intelligible to both institutional and retail investors is key to unlocking more private capital for impact. A distinct SFDR impact category is therefore crucial for fostering long-term market growth and accurately reflecting the true nature of impact investing. However, despite the importance of visibility for growth, identifying true impact funds under the current SFDR's Article 9 framework remains a challenge.

Safeguarding Impact Integrity

One common argument against creating an SFDR impact category is the lack of a unified definition of impact investing across the European market, which complicates the introduction of a standardised impact reporting category under the SFDR framework. To address this challenge, some propose establishing a subcategory for impact investing within the Sustainable Product category or suggest that impact funds could be classified under the Sustainable or Transition Product categories.

Impact investing is, in fact, clearly defined by an international coalition of its leading practitioners. The European Impact Investing Consortium[xiii], Impact Europe alongside GSG Impact and the European GSG National Partners from France, Germany, Italy, Spain, the Netherlands, Belgium and the UK, in addition to selected academic partners such as ESADE and Politecnico di Milano, have worked for years on developing a common definition of impact investing, with the aim of measuring the European impact investing market.

The jointly agreed defining features of impact investing[xiv], that distinguish it from other investment approaches, are as follows:

- A clear **ex-ante intention** to contribute to solving social and/or environmental problems in addition to earning an appropriate financial return, starting from capital recuperation.
- **Impact measurement and management**, using the impact data collected to understand what works and what to improve, ultimately making better-informed decisions.
- Financing **companies or projects whose primary mission** is to provide **solutions to address social or environmental challenges** and/or benefit otherwise neglected/underserved target groups.

Distinguishing Impact Investing from Transition and Sustainable Strategies

Figure 2 - Spectrum of Capital

While impact investing falls within the broader spectrum of sustainable finance, it follows a distinct strategy and approach. The differences between impact, sustainable and transition investing become clearer when considering where an asset lies on the sustainability spectrum and the level of the investor's contribution, i.e., additionality (see figure 2).

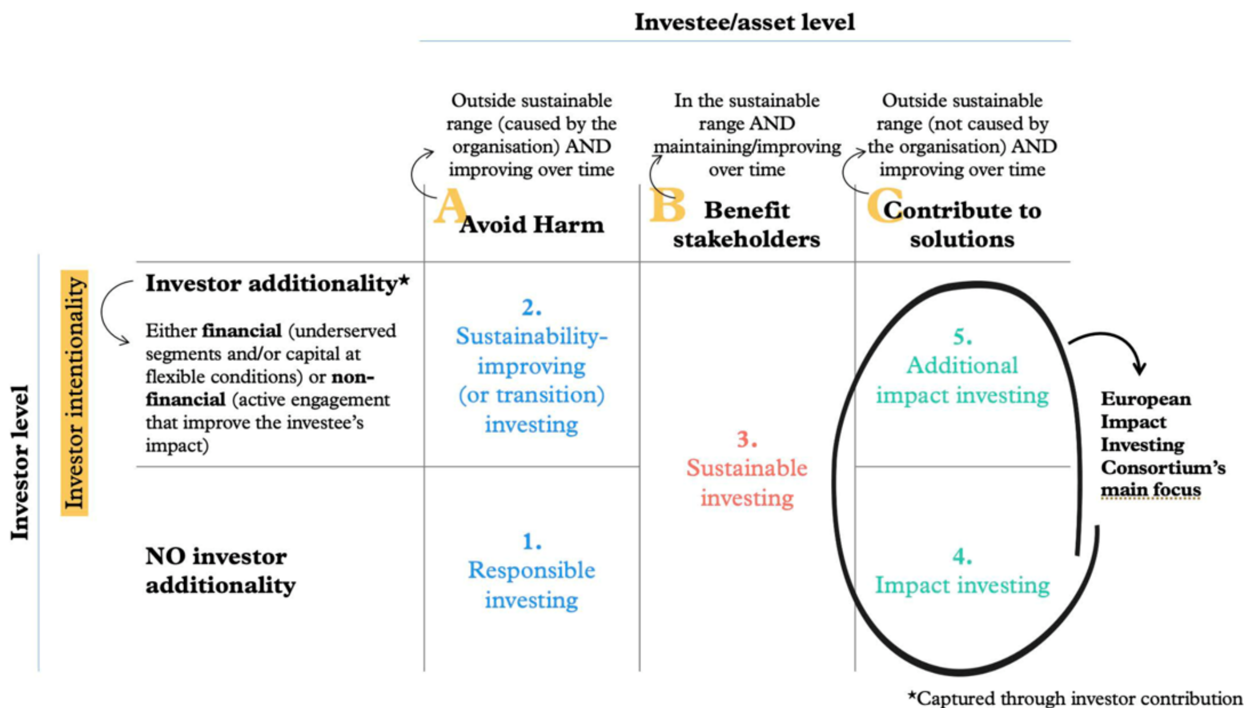


Figure 2 - Source: The European Impact Investing Consortium position paper, main authors Gaggiotti, G. & Gianoncelli, A. (2024), "The Five Ways of Impact Investing", Impact Europe, July.

Notably, the transition strategy involves investing in assets that are not yet sustainable (A-assets) but are progressing towards sustainability, with investors playing a significant role in facilitating this transition. In contrast, a sustainable investing strategy targets sustainable assets (B-assets), which address the negative sustainability impacts inherent to their existence and may contribute to broader sustainability goals. Impact investors, on the other hand, focus on assets or companies (C-assets) with a primary mission of providing solutions to social and/or environmental issues that are not caused by the organisation.[xv] While investing in a C-asset is a necessary condition, investor additionality or contribution is an added advantage.

A clear example that illustrates the difference between transition and impact investment can be seen in the context of plastic waste. Consider an impact investor, such as BlueOrchard, investing in a company whose business model revolves around transforming ocean plastic waste into

premium apparel. The investment thesis is based on creating value through the repurposing of end-of-life plastic waste, expanding the company's operations and diversifying its customer base. The impact thesis, on the other hand, focuses on reducing plastic pollution in the ocean and lowering scope 3 emissions within customers' supply chains. The company's business model directly contributes to solutions aligned with responsible production and consumption (SDG 12) and life below water (SDG 14), environmental challenges that it is fixing but didn't create.[xvi]

In contrast, consider a large soft drink producer working to reduce its use of non-recyclable plastic and shifting towards reusable plastic in its production processes. While this company is making commendable efforts in its transition toward sustainability, the focus here is on reducing its existing negative environmental impact. Although this is important and valuable, the investment strategy is centred around transition — helping the company reduce harm — rather than generating a positive, measurable impact on society and the environment.

The key distinction lies in the approach: impact investments are designed to create solutions with positive environmental and social outcomes, while transition investments aim to mitigate or reduce negative impacts as companies move toward sustainability. While impact investors may also address sustainability issues, this is not the primary driver of an impact company's existence or business model, nor is it the main focus for impact investors when screening potential investments.

Currently, impact funds lack a dedicated transparency category under the SFDR, forcing asset managers to choose between Articles 6, 8 or 9 for reporting. The majority have opted for Article 9 for sustainable products, despite the reporting burden this imposes on them and their investees, often unlisted SMEs. This trend arises because SFDR reporting categories are perceived as labels, leading institutional investors and limited partners to advocate for impact funds to be classified under Article 9.[xvii]

While most impact funds are classified under Article 9, not all Article 9 funds are impact-focused, leading to confusion for both professional and retail investors. This lack of clarity undermines consumer protection. An SFDR impact label, grounded in a market-agreed definition, would clarify the various fund strategies while preserving impact investing integrity.

Rethinking SFDR Reporting for Better Transparency

Impact Europe's survey report on the Experience of Impact Funds with SFDR highlighted that asset managers and investees of Article 9 impact funds face a disproportionate burden due to the reporting of mandatory Principal Adverse Impacts (PAIs), in addition to their efforts to report positive impacts.

To address this, some stakeholders have proposed creating a subcategory for impact investing within the future Sustainable Product label, which could include reporting exemptions to ease these challenges. Alternatively, they have suggested that impact products could be classified under future sustainable, transition or ESG-mixed labels.

As mentioned earlier, impact funds employ an investment strategy different from ESG, sustainable and transition investing. Impact asset managers concentrate on measuring and assessing the positive impact performance of their investments and investees, managing

outcomes and reporting these results to investors. In contrast, SFDR sustainability reporting primarily focuses on mandatory PAIs under the current Article 9 framework, which misaligns with the core investment objectives of impact funds.

Transparency should verify the accuracy of claims. However, the data reported under Article 9 does not sufficiently address the actual impact claims of these funds. Reporting solely on negative impacts is not relevant for investors interested in impact funds. These investors seek information about a fund's impact practices, such as its theory of change and impact measurement and management, as well as the positive impact performance of their investments.

Additionally, the mandatory PAIs under Article 9 were designed for funds investing in listed assets. In contrast, impact fund investees are often unlisted SMEs, frequently in the early stages of development and often located in emerging markets. These enterprises typically lack the resources needed to conduct extensive data collection for mandatory PAIs, as well as for their positive impact key performance indicators.

This challenge is especially pronounced for impact enterprises in emerging markets. Impact Europe manages two EU-funded projects aimed at developing the impact investing market in **Eastern Europe** and the **Middle East and North Africa**. These projects have provided us with direct feedback from local partners on the difficulties faced by social enterprises in meeting the SFDR's Article 9 data requirements. Many expressed concern that these demands could stifle the nascent impact market, force enterprises to divert focus from impact to compliance or make access to impact finance more challenging if they fail to meet funders' data expectations.[xviii]

Article 9 impact fund managers often struggle to find reliable alternative data for reporting, which can burden their portfolio companies due to the limited availability of relevant data from indices in private and impact markets. This raises the risk of disseminating misleading information, as accurately measuring non-material PAIs in this context is challenging. Furthermore, the potential legal consequences for failing to report mandatory PAIs or for providing misleading information remain unclear.

This issue is not unique to impact funds but extends to all funds investing in unlisted SMEs. Both the EC and the European Financial Reporting Advisory Group (EFRAG) recognise the difficulties that unlisted SMEs face with sustainability reporting. To address this, the EC has provided the mandate for EFRAG to develop voluntary sustainability reporting standards for non-listed SMEs (VSME) within the framework of the Corporate Sustainability Reporting Directive (CSRD), despite the fact that these entities fall outside the Directive's scope.[xix]

The VSME aims to empower unlisted SMEs to efficiently and proportionately respond to requests for sustainability information, facilitating their participation in the transition to a sustainable economy and enhancing their access to sustainable finance. Although the CSRD and VSME initiatives were introduced after the SFDR came into effect, there is now an opportunity to align the SFDR more closely with these new initiatives, ensuring that reporting requirements for investments in unlisted SMEs are proportionate and tailored, thereby reducing unnecessary burdens for both funds and investees.

Additionally, the Platform on Sustainable Finance[xx] and ESAs[xxi] new recommendations to align the Sustainable Product definition more closely with the EU's green taxonomy will create even greater challenges for impact funds attempting to qualify as sustainable products. This is particularly true for smaller impact funds and those investing in small enterprises. The green

taxonomy is often complex and demanding, with reporting requirements that do not fully align with the impact metrics used by these funds. Although there have been calls and initiatives to make the taxonomy more accessible to SMEs, the outcomes have yet to materialise. [xxii]

Therefore, the proposed solutions on accommodating impact investing under a category other than an impact category would ultimately exceed the amount of reporting obligation simply to comply with the regulation, rather than demonstrate the substance of impact investing strategy. This is not, in our view, in line with Ursula Von der Leyen's *Political Guidelines* and *Mario Draghi's* vision to help grow Europe's competitiveness, streamlining and harmonising regulations to reduce excessive burdens — particularly on SMEs, which are often disproportionately affected — and ease access to capital for innovative start-ups and companies.

When establishing a subcategory for impact investing within the Sustainable Product category, the focus should be on reporting positive impacts, allowing exemptions for taxonomy compliance and non-material PAIs, and adapting requirements to fit the size and listing status of portfolio companies, such as unlisted SMEs, as well as their location in emerging markets outside the EU. Without these adjustments, the subcategory would offer limited value for impact funds.

While creating a reporting subcategory for impact investing under the Sustainable Product category could alleviate some of the reporting burden, this approach alone may not fully resolve issues related to the visibility and growth of the impact ecosystem, nor concerns around impact integrity and consumer protection. Impact Europe argues that the most effective solution would be the establishment of a dedicated impact category to emphasise key impact investing features such as positive impact reporting, including metrics, performance and policies, tailored to be proportionate and simplified for investments in unlisted SMEs and emerging markets.

Recommendations for SFDR Revision: Towards a Distinct Impact Reporting Category

Impact Europe advocates for the introduction of a distinct and voluntary impact reporting category to bolster the growth of the impact investing ecosystem in the EU, while upholding high standards of integrity, consumer protection and proportionate reporting. In response to concerns about limiting the impact category to private markets, Impact Europe proposes expanding its scope to include listed assets, drawing inspiration from the UK's Sustainable Disclosure Requirements (SDR). This approach is recognised as a practical solution for scaling impact investing across continental Europe. The UK's Sustainability Impact Funds, which are expected to account for 11% of the market by the end of 2024, exemplify the potential of such a framework.[xxiii] Moreover, aligning with the UK's SDR could help prevent fragmentation in European financial markets.

Impact Europe endorses the definition of impact under the UK's SDR Sustainability Impact label, which *"applies to products with a sustainability objective consistent with an aim to achieve a pre-defined positive, measurable, impact in relation to an environmental and/or social outcome (and invest at least 70% of their assets in accordance with that aim)."* [xxiv]

Impact Europe supports the label's reporting requirements, which could serve as a model for the EU's potential impact label under the SFDR. Key requirements include:

- Firms must outline a **theory of change**, detailing how their investment activities and the **product's assets will contribute to a positive impact**.
- Firms must adopt a **robust method for measuring** and demonstrating the positive impact of both their investments and the product's assets.

Additionally, we align with the Financial Conduct Authority's guidance encouraging asset managers to refer to established frameworks for impact investing and impact measurement reporting, which should include:

- Clear articulation of the ambition and expected results;
- Explanation of investor contribution;
- Ongoing monitoring of progress throughout the investment lifecycle;
- Ex-post evaluation and assessment upon investment realisation or at a predefined point;
- Independent verification of results.

These reporting principles are consistent with the European Impact Investing Consortium's essential features of impact investing. Notably, the theory of change illustrates the product's ex-ante intentionality to address social and/or environmental issues, while impact measurement and management practices ensure that positive outcomes are being realised. Additionally, it emphasises the detailed explanation of how the product's assets will contribute to a positive impact.

We propose that the future SFDR impact category should clearly differentiate between public and private markets, as the processes, investees and mechanisms for driving impact differ significantly. In private markets, impact investing often involves longer investment horizons, deeper engagement with investees and the use of diverse financial instruments, providing access to opportunities that are typically unavailable to broader stakeholders, such as institutional investors. In contrast, public market investments generally offer less scope for capital providers to influence impact-driven decisions, due to shorter-term horizons and different expectations regarding liquidity and risk-return profiles.[xxv]

Despite the absence of a widely accepted framework for distinguishing sustainable from impact investing in public markets, this segment holds significant potential. Vontobel's 2023 Impact Investing Survey indicates that 71% of institutional and professional investors plan to increase their allocations to impact investing in public markets, alongside 70% in private markets, over the next three years.[xxvi]

Closing Remarks

While the impact investing market is still growing, its importance in advancing key EU policy goals cannot be overstated. It plays a pivotal role in supporting the green, digital and just transitions, as well as fostering the social economy. Both Ursula von der Leyen, in her *Political Guidelines for the Next European Commission* (2024-2029), and Mario Draghi, in his report *The Future of European Competitiveness*, underscore the urgent need to enhance Europe's competitiveness, drive innovation — particularly among SMEs and start-ups — and mobilise private capital for sustainable economic growth.

Impact investors are central to this effort. By funding innovative solutions to green and social challenges and supporting start-ups through critical early stages, impact investors help propel these companies toward maturity and scalability. To strengthen Europe's competitiveness and reduce dependence on foreign capital, it is crucial to create legal frameworks that channel more European private investment into impact sectors. This will not only help bridge the financing gap but also accelerate the growth of companies that are making a positive, lasting impact on society and the environment.

Therefore, we urge all stakeholders to carefully consider the impact investing strategies as unique and requiring a distinct space within the SFDR framework. The inclusion of an impact category would build visibility and growth opportunities for impact investors while providing suitable and material disclosure requirements that would safeguard impact's integrity and protect end consumers.

For further information and engagement in dialogue, please connect with Impact Europe's policy team at policy@impacteurope.net, or directly with Jana Bour, Head of Policy & EU Partnerships, and Stephanie B. Smialowski, Senior Policy Advisor.

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[i] The partners contributing with data to the exercise are GSG France for Impact Finance, Impact Finance Belgium, Impact Investing Institute, MAZE, Netherlands Advisory Board on Impact Investing, Social Impact Agenda per l'Italia, SpainNAB, and The Hellenic Impact Investing Network; and the national academic partners: Esade Center for Social Impact and Politecnico di Milano - Department of Management, Economics and Industrial Engineering, EYDK – GSG Impact National Partner Türkiye and Invest for Impact Denmark for the support in producing consolidated figures of their impact investing markets. Gaggiotti, G., Gianoncelli, A., and A. Venturato. 2024. “The Size of Impact – Main Takeaways from the European Impact Investing Market Sizing Exercise.” Impact Europe, December.
[ii] This study comprises direct and indirect impact investments. Direct investments involve funding provided directly to social purpose organisations (SPOs), while indirect investments are made through third-party vehicles, such as funds. To ensure accuracy and prevent double counting, the reported total of €190 billion includes €5 billion allocated to indirect investments supporting fund managers outside Europe.
[iii] Within the total European assets under management valuation of €22.9 trillion, only a third have the potential to become impact investing — around €7.6 trillion; the remaining assets (€15.3 trillion) include commodities, currency and other assets for which the impact investing approach is not applicable. Gaggiotti, G., Gianoncelli, A., and A. Venturato. 2024. Op.cit. p.15.
[iv] Gaggiotti, G., and A. Gianoncelli. 2022. “Accelerating Impact - Main Takeaways from the First Harmonised European Impact Investment Market Sizing Exercise.” Impact Europe.
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[x] European Commission. 2023. “Summary Report of the Open and Targeted Consultations on the SFDR Assessment 14 September 2023 - 22 December 2023.”
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[xii] Smialowski, S., and J. Bour. 2024. "Social Economy Takeaways from Torino." Opinion, Impact Europe, January 31.
[xiii] Impact Europe. 2022. "International Alliance to Uncover Impact Investment in Europe." News, March 9.
[xiv] Gaggiotti, G., and A. Gianoncelli. 2024. "The 5 Ws of Impact Investing - The European Impact Investing Consortium Position Paper." Opinion, Impact Europe, September 5.
[xv] The asset classification system in the figure above is based on the ABC classification and Impact Classes methodology introduced by the Impact Management Project (IMP) and recently adapted by Impact Frontiers. Widely used by impact investors during the due diligence process, this ABC categorisation offers a standardised framework for assessing asset impact. Impact Frontiers, Norms - ABC of Enterprise Impact.; Impact Frontiers. 2023. "The ABC of impact: Modifications and clarifications", December.
[xvi] Schroders. 2024. "Impact Report 2024".
[xvii] Smialowski, Brenda, J. Bour, and K. Kolarova. 2023. "Survey Report - Experience of Impact Funds with SFDR." Impact Europe, November.
[xviii] This discussion was brought forward by partners from outside the EU during a meeting focused on the Impact Manifesto's EU policy recommendations.
[xix] European Commission. 2023. "Questions and Answers on the Adoption of European Sustainability Reporting Standards," July 31, Brussels; European Commission. 2023. "Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: SME Relief Package (COM(2023) 535 final)," September 12, Strasbourg.
[xx] Categorisation of Products under the SFDR: Proposal of the Platform on Sustainable Finance (December 2024), accessible here.
[xxi] ESAs. 2024. "Joint ESAs Opinion on the Assessment of the Sustainable Finance Disclosure Regulation (SFDR) (JC 2024 06)," June 18.
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