



WWF recommendations on the SFDR review

July 2025

WWF recommendations on the SFDR review (3/3): Shape categories of sustainable products with minimum criteria

This briefing is the third of a series of three, presenting WWF's key recommendations for the review of the Sustainable Finance Disclosure Regulation (SFDR)¹. The SFDR has played a crucial role in raising sustainability awareness and providing valuable information for investors. **Our targeted recommendations focus on specific areas that require improvement to maximize benefits while preserving the core elements of the SFDR** that remain relevant and should not be removed. Our aim is to refine the SFDR framework to create more effective, simple, consistent, and consumer-friendly sustainability disclosures and product categories. This, in turn, will substantially increase positive sustainability benefits and reduce risks of negative impacts or greenwashing, while better mobilising retail investors' capital to finance the green transition of EU companies as part of the Savings and Investment Union.

WWF is actively collaborating with other stakeholders on this issue and is part of a coalition of civil society organizations led by Eurosif. While we align with this coalition, we have prepared this series of briefings to explore key elements more thoroughly.

This briefing delves into the following areas:

- 1. Create categories of sustainable funds to provide clarity**
 - 1.1. Principle: build on retail investors' sustainability objectives
 - 1.2. Recommendations for three categories: sustainable, transition, impact
 - 1.3. Concerns with a potential 'ESG basic' category
- 2. Introduce minimum sustainability criteria to deliver benefits and avoid greenwashing**

Context

Sustainability information is becoming increasingly important for investors seeking to align their portfolios with sustainability goals. However, **discerning which funds truly embrace sustainability and create positive benefits or impact remains a major challenge**. Despite substantially raising sustainability awareness since March 2021, the SFDR has not yet significantly addressed this issue. In particular, the SFDR Articles 8/9 - although setting only disclosure requirements - have been used in practice as a labelling system for sustainable funds (including for marketing purposes), but without the conditions usually attached to labels to ensure their reliability. This market-driven approach has raised persistent concerns about potential risks of greenwashing, as the SFDR's terms and concepts were not originally designed for labelling purposes, leading to confusion among financial market participants (FMPs) and implementation challenges. In addition, there are several inconsistencies between SFDR and the broader EU

¹ The first WWF briefing is focused on [Ensuring consistency across EU sustainable finance regulations](#) and the second on [Sustainability disclosures for all products](#).



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Sustainable finance framework and some definitions are missing, in particular on impact-generating investments.

To address these legal uncertainties, it is necessary to transform Articles 8/9 into a clear scheme of mutually exclusive categories with ambitious minimum sustainability requirements.

Indeed, another significant challenge arises as **numerous funds classified under these articles lack clear minimum sustainability criteria**, potentially misleading investors and creating greenwashing risks. Morningstar's findings² reveal a multitude of interpretations by FMPs, creating uncertainty in calculating sustainability in financial products and undermining comparability. Recent reclassifications of investment funds, shifting from Article 9 to Article 8, highlight a pressing need for increased guidance, clarity and accuracy in the EU sustainable fund categorization.

1. Create categories of sustainable funds to provide clarity

1.1. Principle: build on retail investors' sustainability objectives

The sustainability objectives of end investors should be the main factor to shape distinct categories of sustainable products. This is indeed the best approach to ensure consistency and clarity for retail investors. The categories should be designed for different sustainability objectives, so that there is **as little overlap as possible across categories**, to avoid confusion of end investors.

This is also the approach from the Platform on Sustainable Finance, in its [Categorisation of Products under the SFDR: Proposal of the Platform on Sustainable Finance on product categorisation](#): *“The proposed scheme is rooted in the overarching sustainability objective of financial products linking it to client perspective.”*

Research and surveys from various stakeholders find that retail investors have **two main types of sustainability objectives: value alignment and/or impact**.

Distribution of sustainability profiles of retail investors across Europe

² Morningstar, 'SFDR Article 8 and Article 9 Funds: Q2 2022 in Review', 28 July 2022.

	Survey 2021						Survey 2022						Average EU-12
	Denmark	Estonia	Germany	Greece	Ireland	Romania	Belgium	Italy	Netherlands	Poland	Spain	Sweden	
Pure impact	10%	9%	11%	10%	9%	7%	2%	3%	3%	2%	3%	2%	6%
Pure values	10%	13%	16%	11%	9%	7%	7%	5%	13%	4%	5%	3%	9%
Pure return	30%	20%	20%	16%	22%	11%	15%	9%	11%	8%	11%	20%	16%
Mix of impact and return	4%	3%	3%	5%	5%	3%	3%	6%	3%	5%	6%	6%	4%
Mix of values and return	16%	23%	12%	15%	12%	17%	20%	10%	20%	18%	9%	18%	16%
Mix of values and impact	4%	3%	7%	6%	5%	4%	7%	7%	9%	3%	8%	5%	6%
Mix of values, impact and return	17%	21%	19%	31%	33%	47%	30%	45%	24%	54%	48%	36%	34%
No clear profile	9%	10%	12%	8%	6%	4%	16%	16%	18%	8%	10%	10%	11%

Source: 2° Investing Initiative (2023), [Moving the blockers of retail sustainable finance](#)

In two successive surveys, 2° Investing Initiative (now Sustainable Finance Observatory) asked retail investors in 12 EU countries (n=1000/country) a series of questions regarding their financial and sustainability objectives and preferences. It enabled them to generate a typology of seven profiles, either pure (focusing on one goal only) or mixed (caring for two or three goals). **On average, 50% of all European respondents want to have an impact with their savings in varying profiles.**

In 2025, the latest research from the Sustainable Finance Observatory, [Mind the Gap: Why European retail investors don't get what they want](#), found the following:

- **Retail investor demand is strong but untapped:** 74% of EU retail investors have sustainability-related objectives (value alignment and/or impact), yet in key markets only 19% hold sustainable financial products, revealing a significant attitude-behaviour gap.
- **Structural misallocation of impact-oriented capital:** 51% of EU retail investors want to generate real-world impact with their savings, but impact products make up only 0.7–1.3% of the market in key countries such as Germany and Austria.
- A majority of impact-oriented investors are willing to pay for real-world impact but mistakenly believe that low-carbon funds directly reduce emissions, making them vulnerable to misleading claims and potential exploitation.
- **Regulatory and Conceptual Gaps:** The definitions of “sustainability preferences” or “sustainable investments” exclude impact-generating investments, misaligning with half of retail investors’ sustainability objectives.

By consistency, WWF recommends that the MIFID/IDD suitability assessment unambiguously reflects the sustainability objectives of investors and the SFDR categories of sustainable products in financial products recommendations. The PRIIPS Key Information Document (KID) should reflect them too.

1.2. Recommendations for three categories: sustainable, transition, impact

1.2.1. A category of sustainable funds

WWF supports such a category, which is generally consensual: it was proposed by the Platform on sustainable finance and recently supported as well by [AFM \(Netherlands\)](#), [BaFin \(Germany\)](#) and [FMA \(Austria\)](#). It generally corresponds to the UK FCA category ‘Sustainable focus’.

This category should focus on companies which are already green/sustainable, or have already achieved or largely achieved their transition. It should rely on **strong exclusion criteria to ensure a Do No Significant Harm approach, as well as positive screening criteria ensuring a very high level of sustainability**. This category does not explicitly seek positive sustainability impact but **alignment** – typically building on EU Taxonomy alignment for environmental issues. It will likely focus primarily on listed companies and liquid assets classes (public equity, fixed income).

This category is especially relevant for retail investors with value alignment objectives.

1.2.2. A category of transition funds

WWF supports such a category, which is generally consensual: it was proposed by the Platform on sustainable finance and recently supported as well by [AFM \(Netherlands\)](#), [BaFin \(Germany\)](#) and [FMA \(Austria\)](#). It generally corresponds to the UK FCA category ‘Sustainable improvers’.

This category should focus on companies which are not sustainable yet but robustly and credibly transitioning towards sustainability in a timely way. Some exclusion criteria are needed for activities which cannot be transitioned in a timely way to align with global and EU 2030 and 2050 sustainability objectives; positive screening criteria are critical to ensure the credibility of corporate transitions – typically verified climate and nature science-based targets and detailed transition plans.

This category does not seek individual positive sustainability impact (which is largely impossible to evidence in collective approaches) but **collective investor contribution** – typically done through collective stewardship and shareholder engagement. It can also encompass other strategies, such as **growing new or undersupplied capital markets, or providing flexible capital** (i.e. this category should not be exclusively focused on stewardship). This category will likely focus primarily on large listed companies in high carbon sectors and high impact sectors (i.e. where the environmental transition is most needed), and liquid assets classes (public equity, fixed income).

This category is especially relevant for institutional investors, or targeted retail investors.

1.2.3. A category of impact funds

This is a critical category for WWF. It generally corresponds to the UK FCA category ‘Sustainable impact’. According to the [Platform on sustainable finance](#), “*many FMPs engaged in impact investing (...) call for the creation of a separate impact product category.*”

Addressing an existing fast-growing market, this category focuses on driving individual positive sustainability impact. To achieve and evidence it, it should build on existing criteria being already developed by the impact investing market, in particular intentionality and measurability.³ **This category will likely focus primarily on primary market investments such as those in start ups, unlisted companies and SMEs and illiquid asset classes (e.g. venture capital, private equity).**

This category is especially relevant for retail and institutional investors with sustainability objectives of tangible impact.

This distinct category has stringent requirements: it should not be mixed up with the other categories. End 2023, **AFM** proposed the introduction of three categories including one for impact. According to AFM, “*most sustainable investors seek to make sustainable impact through*

³ ESMA (2023), [Progress Report on Greenwashing](#); [Global Impact Investing Network](#) (GIIN); Impact Europe (2022), [Accelerating Impact](#); Institut de la Finance Durable (2021), Definition of impact finance.

their investments. Research shows that consumers find it difficult to distinguish between products that make impact versus products that are value-aligned".⁴

Given the lack of consensus around this category, WWF provides more elements below:

I. Four reasons why such a category is necessary

a. Huge demand: half of EU retail investors want to generate real-world impact with their savings

In the previous section WWF recommended that **the sustainability objectives of end investors are the main factor to shape the different categories of sustainable products**. As a consequence, there should be a distinct impact category: without such a category, the SFDR categories will fail to match the sustainability objectives of half of retail investors (51%), which would be extremely inconsistent.

This is a huge untapped opportunity for the EU: **a trillion euro unmet demand potential** for green impact-generating financial products, according to the Sustainable Finance Observatory market estimation based on investor surveys across Europe. Unfortunately, this money is likely to flow into low-impact potential financial products without regulatory interventions. In fact, market reviews of impact claims from Scheitza et al. (2022) suggest that misleading market practices are prevailing as long as possible.

The private impact investing market has experienced remarkable growth, with total assets under management (AUM) increasing from €80 billion in 2022 to €190 billion in 2024. Direct impact investments grew by 20% between 2022 and 2023, with a growth rate that surpasses average the one from ESG investing. **The European impact investing market is a significant contributor to the global sector, with Europe hosting 45% of impact investors and managing 53% of global impact AUM** (approximately \$832.63 billion USD).⁵

BNP Paribas' [ESG Global Survey 2023](#) predicted that impact investing would overtake ESG integration as the most popular strategy for investors to achieve sustainability. 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, Pensioenfondsen Detailhandel, revealed that sustainability, impact investing and long-term investments are their top interest and values. 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.

b. Huge need: the Draghi report highlights the need for scaling up financing for innovation in start ups

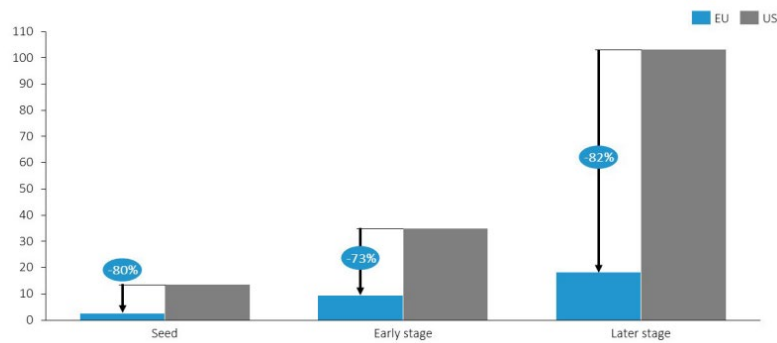
The Commission acknowledges that the EU venture capital is underdeveloped, with funds raising just 5% of global venture capital versus 52% in the US⁶, as illustrated in the chart below from the Draghi report:

⁴ Autoriteit Financiële Markten (AFM), [Press release](#), 2 November 2023.

⁵ Impact Europe (2024), [The Case for Impact: Enhancing EU's SFDR Framework](#).

⁶ European Commission (2025), [The road to the next multiannual financial framework](#).

Venture capital investment by development stage
USD billion, 2023



Source: Draghi report (2024), [The future of European competitiveness - Part A](#)

President 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 **foster European innovation — especially among start ups and SMEs** — and mobilise European private capital to support sustainable economic opportunities while reducing reliance on foreign financing.

Impact Europe states: *“Impact investing 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*⁷. It provides several concrete examples of impact investing projects financing innovation in start ups, AI tech, climate tech, health tech or social entrepreneurs⁸.

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.

c. A distinct category with specific features and targeted companies

An international coalition including the European Impact Investing Consortium, Impact Europe and more have worked for years to develop a common definition of impact investing, with the aim of measuring the European impact investing market. They highlighted the following features of impact investing⁹, that distinguish it from other investment approaches:

- **Intentionality:** 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
- **Measurability:** 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.

Impact investing is different from transition investing: impact investments are designed to create solutions with positive environmental and social outcomes, while transition investments

⁷ Impact Europe (2024), [The Case for Impact: Enhancing EU’s SFDR Framework](#).

⁸ Impact Europe (2024), [The Case for Impact: Enhancing EU’s SFDR Framework](#), pages 5-6.

⁹ Impact Europe (2022), [Accelerating Impact - Main Takeaways from the First Harmonised European Impact Investment Market Sizing Exercise](#).

aim to mitigate or reduce negative impacts as companies move toward sustainability. Here is an example on plastic waste:

- An impact investor invests in a company whose business model revolves around transforming ocean plastic waste into premium apparel. The company's business model directly contributes to solutions fixing environmental challenges that it didn't create.
- A large soft drink producer is working to reduce its use of non-recyclable plastic and shifting towards reusable plastic in its production processes. The investment strategy is centred around transition — helping the company reduce harm — rather than generating a positive, measurable impact upfront on society and the environment.

Impact investing has another specific, critical feature: targeted companies. It primarily invests in start ups, scale ups, SMEs, unlisted and illiquid enterprises, often at early development stages – far more than the sustainable and transition categories. Because of this feature, Impact Europe finds that SFDR is currently ill-suited for impact investing: *“SFDR was designed with larger funds investing in listed assets in mind. As a result, it is considered ill-suited for the reporting of impact funds, especially those dedicated to investments in emerging markets and small- to medium-sized, unlisted and illiquid enterprises, often at their early stages of development.”*¹⁰

As a result, impact investing also has a **risk-return profile that is different from public equity and fixed income in predominantly large listed companies**. For these reasons, impact investing has a unique added value and should not be mixed up with the other categories:

- the criteria from the other categories would likely be unfit or irrelevant for impact investing;
- impact investing could be sidelined and marginalised in the other categories, while it will be highlighted in a distinct category.

d. Feasibility: building on existing market and policy precedents

Other jurisdictions have already established a framework for sustainable product categorisation which accommodates the investor impact concept. This is the case of the UK FCA regime which set a sustainable impact category, evidencing its feasibility and relevance.

In Switzerland, the Swiss Asset Management Association has introduced a [self-regulatory initiative](#) which mandates that any sustainable financial product must clearly disclose its sustainability objective(s), i.e. alignment or/and positive impact.

II. An incomplete EU regulatory framework to integrate impact investing

The current EU regulatory framework is unfit for purpose, mainly due to the missing legal definition of investor impact (or impact generating product) and its integration in the EU framework. For the Sustainable Finance Observatory¹¹, as long as no EU legal definition is provided, there is a risk of confusion and thus of impact-washing - creating in turn risk of misallocating capital to low-impact products and misleading retail investors whose sustainability objectives are to make a real world impact with their investment.

To fix this flaw, WWF recommends introducing a legal definition of “impact” within the sustainable finance framework, clarify how it relates to existing definitions of sustainable investing and the EU Taxonomy, and determine how it can be integrated into the product categorisation scheme. **This is also the recommendation from the [Platform on sustainable finance](#), the Sustainable Finance Observatory, [Impact Europe](#) and [#UnitedforImpact](#), an initiative by 55 impact investors from 16 EU countries.**

¹⁰ Impact Europe (2023), [Experience of Impact Funds with SFDR](#).

¹¹ Sustainable Finance Observatory (2024), [Fighting greenwashing... what do we really need?](#).

To define impact investing, the [ESMA Guidelines on funds' names using ESG or sustainability-related terms](#) provide a useful starting point¹². However, it should be improved building on the important definitional work done by the [Hamburg University, Eurosif and Advanced Impact Research](#), the European Impact Investing Consortium, Impact Europe, the Global Impact Investment Network (GIIN), the Sustainable Finance Observatory and others, which provides strong convergence points.

According to the Sustainable Finance Observatory, **a starting point for defining an impact-generating financial product could be as follows:** “An impact-generating financial product has an impact-generating sustainability-related objective and a strategy of contributing to positive real world impacts through its investment process alongside a financial risk and return objective.”

One advantage of this definition is that it explicitly states that it is the objective and the strategy of the financial product itself that must contribute to positive impacts. This helps differentiate it from many definitions which could perpetuate the misconception that simply selecting sustainable assets constitutes impact investing: for WWF, such a strategy can provide alignment (hence is fit for the sustainable category) but not impact. This is aligned with the Platform’s report which states: “Academic research, industry participants, and regulators distinguish between “company impact” and “investor impact””.

III. Next steps

WWF is aware that there are remaining questions on the maturity of the impact investment discussion. **At a minimum, the Commission should set up the following process to integrate impact investing in the forthcoming SFDR framework:**

- Introduce a legal definition in SFDR;
- Specify minimum additional disclosures for impact products¹³, so that they can be named and marketed as such (building notably on the specific features described above and the relevant literature);¹⁴
- Mandate the Platform on Sustainable Finance to develop technical recommendations on specific impact disclosures and propose a workplan for the Commission to further develop a common understanding on impact investing in the EU sustainable finance framework;
- Accordingly, include a review clause in SFDR on the impact investing issue.

1.3. Concerns with a potential ‘ESG basic’ category

WWF does not support a potential ‘ESG basic’ or ‘ESG collection’ category because it is not a science-based category, hence it is not conducive to the achievement of EU sustainability objectives – in particular 2030 climate and environmental targets. If this category does not require alignment with or timely transition towards the climate objectives of the Paris Agreement, then it is misaligned with the Paris Agreement because the average economy is. In turn, it means that some companies could be deemed investible in this category while they are not doing their fair share of climate mitigation efforts. WWF considers that such companies should either be engaged (typically in the transition category) so that they raise the bar, or divested

¹² The ESMA Guidelines specify: “Funds using (...) “impact”-related terms in their names should ensure that investments (...) are made with the objective to generate a positive and measurable social or environmental impact alongside a financial return.”

¹³ If there is no impact category as such, minimum disclosures for impact products should be additional to the requirements of the sustainability or the transition categories. Products from a potential ‘ESG basic’ category should not be allowed to claim impact.

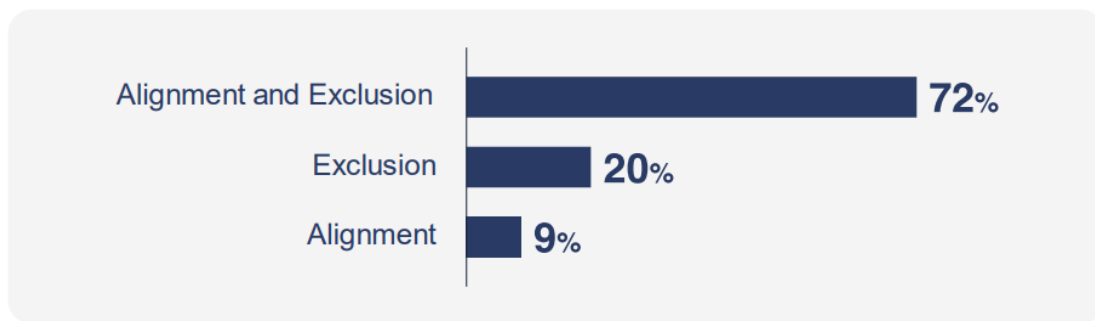
¹⁴ Conversely, it should be clarified that products not meeting the specific minimum disclosures for impact products shall not be named and marketed as such, to avoid confusion and impact-washing risks.

as a last resort if they refuse to transition in a timely way. It would be inconsistent to set the bar at a lower level than the agreed EU climate and sustainability objectives. **As a result, this category would bring poor sustainability added value.**

Such a category also risks replicating the flaws and confusion related to the current ‘catch all’ Article 8, which currently represents 97% of the ESG investment market.

The only way to potentially mitigate these significant risks is to set strong exclusion criteria - typically on fossil fuels – and meaningful positive screening criteria. Importantly, even when they have value alignment objectives, a very large majority of retail investors expect investment products to combine *both* exclusion and alignment criteria (see chart below). Said differently, **exclusion criteria are necessary but not enough** to define a category of sustainable products in a robust way: retail investors also expect positive screening criteria.

Figure 2: Strategy preferences of value-oriented investors (EU 6)



Source: Sustainable Finance Observatory (2025), [Mind the Mind the Gap: Why European retail investors don't get what they want](#)

[AFM \(Netherlands\)](#), [BaFin \(Germany\)](#) and [FMA \(Austria\)](#) raise strong concerns with such a potential category: “We believe that prudence is very important when discussing a potential third category like the proposed “ESG collection” category. It should not replicate the current system, otherwise the existing challenges with financial products disclosing under Art. 8 SFDR being possibly misleading in their ambitions will not be addressed. **Hence, if such a third category should be implemented, minimum requirements regarding the ESG/sustainability ambitions are of utmost importance and the naming and claiming rules need to be much stricter and limited** in comparison with the more ambitious product categories in order to allow for investors to clearly understand the limited ambition of the respective product”.

Would the Commission proceed anyway with such a risky category, WWF considers that it should at a minimum:

- **have much stricter naming and claiming rules than the other categories**, as recommended above by national regulators;
- **be accompanied with a sunset clause by 2030 to phase the category out, and shift related products to more ambitious SFDR categories** which are more consistent with EU sustainability objectives. The EU economy becomes greener year after year: it means that in a few years it will become increasingly feasible to invest in sustainable or transitioning companies - hence a weak ESG basic category will be even less justified.

2. Introduce minimum sustainability criteria to deliver benefits and avoid greenwashing

The introduction of minimum mandatory sustainability criteria is consensual, in order to ensure:

- clarity for end investors and consistency with their sustainability objectives;
- legal certainty for product manufacturers and financial advisers;
- delivery of sustainability benefits and avoidance of greenwashing.

WWF considers that a combination of different types of criteria is necessary¹⁵:

- Exclusion criteria (negative screening)
- Sustainability criteria (positive screening)
- Stewardship criteria
- Complementary reporting requirements.

WWF recommends tailoring the criteria to each category, as presented in the following table:

Category Name	Sustainable category	Transition category	Impact category
Exclusion criteria (negative screening)	Build on <u>updated</u> exclusion criteria from the Paris Aligned Benchmarks (PABs): <ul style="list-style-type: none"> - Exclude fossil fuel companies: <ol style="list-style-type: none"> 1. No fossil expansion 2. No ongoing fossil activities (see WWF/Urgewald recommendations on this issue) - Exclude companies that violate the UN Guiding Principles; controversial weapons; tobacco - All non-Taxonomy aligned investments pass DNSH test defined through material PAI thresholds¹⁶ - FMPs should determine additional exclusions¹⁷ 	Build on <u>updated</u> exclusion criteria from the Climate Transition Benchmarks (CTBs): <ul style="list-style-type: none"> - Exclude fossil fuel companies: <ol style="list-style-type: none"> 1. No fossil expansion 2. No coal phase out plan (see WWF/Urgewald recommendations on this issue) - Exclude companies that violate the UN Guiding Principles; controversial weapons; tobacco - FMP should determine additional exclusions (see footnote 15) 	Build on <u>updated</u> exclusion criteria from the Climate Transition Benchmarks (CTBs): <ul style="list-style-type: none"> - Exclude fossil fuel companies: <ol style="list-style-type: none"> 1. No fossil expansion 2. No coal phase out plan (see WWF/Urgewald recommendations on this issue) - Exclude controversial weapons; tobacco - FMP should determine additional exclusions (see footnote 15)

¹⁵ Climate&Company and Advanced Impact Research provide relevant inputs on criteria for the transition category in their white paper [Transition Products –Conceptual Clarity & Implementation Guidance](#) (2024).

¹⁶ Except for liquidity instruments. The FMP should prioritise PAIs for the DNSH test according to their materiality.

¹⁷ WWF recommends at least the following additional exclusions: (i) Most controversial companies on sustainability issues, based on independent analysis (e.g. RepRisk, SESAMm and other companies provide analysis that is already largely available on financial terminals and commonly used by investors); (ii) Companies operating in biodiversity-sensitive sites (UICN, HCV, WHS, KBA, Ramsar sites) except for operations focused on protection, restoration, management of the site.

Category Name	Sustainable category	Transition category	Impact category
Positive screening criteria	<ul style="list-style-type: none"> - High proportion of Taxonomy-aligned assets or environmental and/or social Sustainable Investments¹⁸ - FMP may determine additional criteria 	<ul style="list-style-type: none"> - Underlying companies must have (or adopt within two years) and implement a verified science-based target and a credible transition plan¹⁹ OR - Underlying companies are part of an EU Climate Transition Benchmark OR - Underlying companies commit a high share of Taxonomy aligned CapEx and/or set Taxonomy-aligned timebound revenue target 	<ul style="list-style-type: none"> - Intentionality - Measurability of impact - Selection of companies/projects providing sustainability solutions
Stewardship criteria	Investor level: Credible stewardship strategy including at least 4 elements: measurable objectives, action plan, escalation strategy, voting policy ²⁰	Investor level: Credible stewardship strategy including at least 4 elements: measurable objectives, action plan, escalation strategy, voting policy	Investor level: Credible stewardship strategy including at least 4 elements: measurable objectives, action plan, escalation strategy, voting policy
Weighted assets applying positive/stewardship criteria²¹	90% ²²	90%	90%
Disclosure requirement	<ul style="list-style-type: none"> - Sustainability objective and strategy - Evidence of sustainability alignment - Implementation of stewardship policy and outcomes 	<ul style="list-style-type: none"> - Sustainability objective and strategy - Evidence of transition of underlying companies²³ - Implementation of stewardship policy and outcomes - Sectoral composition of the fund on high carbon/high impact sectors 	<ul style="list-style-type: none"> - Sustainability objective and strategy - Evidence of positive sustainability impact²⁴ - Implementation of stewardship policy and outcomes
Indicative strategy	Alignment	(Collective) investor contribution	(Individual) investor impact
Indicative investors	Retail investors with value alignment objective	Institutional investors or targeted retail investors	Retail investors or institutional investors with impact objective
Indicative asset class	Mainly secondary market: liquid asset classes e.g. public equity, fixed income	Mainly secondary market: liquid asset classes e.g. public equity, fixed income	Mainly primary market: illiquid asset classes e.g. venture capital, private equity
Indicative underlying companies	Listed companies	Large listed companies (esp. in high carbon / high impact sectors)	Start ups, scale ups, unlisted companies, SMEs

¹⁸ For environmental objectives, wherever EU Taxonomy criteria are defined for given economic activities they shall be used.

Consequently, **the Commission should prioritise the completion of the Taxonomy framework**, building on the Platform's technical recommendations: many economic activities with clear potential to contribute to environmental objectives remain unaddressed.

¹⁹ The science-based target (climate, biodiversity) and transition plan must go together (not either or).

²⁰ Providing more details on these four elements of a credible stewardship strategy: 1. Measurable, time-bound sustainability objectives; 2. A sustainability-focused engagement action plan specifying the FMP actions and timeline with regards to those investments; 3. A clear and robust escalation strategy explaining what steps the investor commits to take if the investee company does not follow suit and the objectives are not met; 4. A sustainability-focused voting policy.

²¹ The remaining % (diversification/liquidity pocket) can be invested in assets that do not harm the objective. The negative exclusion criteria should apply to 100% of assets in the fund.

²² ESMA requires at least 80%. However WWF considers that 10% for liquidity and diversification purposes is sufficient, given the rapid development of green economic sectors in the EU.

²³ Companies should demonstrate actual progress in implementing their transition plans, with annual reporting on key milestones. Indicators such as annual emission reduction progress or implied temperature rating (ITR) could be used. The Platform recommends as well that progress should be reported annually.

²⁴ An impact measurement framework should be gradually developed to help FMPs evidence impacts. See for example the [Impact Potential Assessment Framework](#) (IPAF) for financial products developed by the Sustainable Finance Observatory.



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1. Specifications

- **Updated exclusion criteria from the PABs and CTBs:** The Delegated Act on minimum standards for CTBs and PABs is now five-year old, and has become partly obsolete. [As recommended by the Platform on Sustainable Finance](#), it should therefore be updated on both the fossil fuel exclusions, notably to reflect more recent approaches from national sustainable finance labels excluding fossil fuel expansion²⁵; it should also be amended to replace the UN Global Compact by the UN Guiding Principles (Platform's recommendation).
- **Science-based target and credible transition plan:** the adoption and publication of a target and a transition plan are not sufficient to demonstrate that a company is transitioning:
 - Targets should be science-based - i.e. 1.5°C aligned - and independently verified.
 - Transition plans should be credible. As a starting point, transition plans should be fully compliant with the [Transition Plan Taskforce \(TPT\) Disclosure Framework](#) at the global level or with ESRS E1 and/or E4 in the EU. After a few years of market appropriation, it should be required that the transition plan is assessed independently to strengthen its credibility. WWF is preparing recommendations on how to assess the credibility of a transition plan, building on available best practice.
 - Annual reporting should be required to assess progress against target and plan.

2. A Delegated Act and a review clause to provide the relevant granularity

While the core elements should be part of the Level 1 regulation (the types of categories, the combination of different types of criteria), **the Commission should adopt a Delegated Act to provide the necessary granularity** to define the minimum sustainability criteria and ensure clarity and legal certainty for FMPs.

All the minimum criteria and the percentage of weighted assets applying positive/stewardship criteria should be reviewed and **ratcheted up regularly (3 to 5 years maximum)**, building on scientific, technological, regulatory and AI-based reporting progress and the progressive greening of the EU economy.

3. Naming and marketing implications for products that are not part of any category

This is a fundamental implication of the creation of SFDR categories:

- Products that are not part of any category should **not be allowed to promote any sustainability or ESG-related terms in their name, website and marketing**. By consistency, they should also not be proposed to retail investors who indicated sustainability preferences in the MIFID-IDD suitability assessment.
- **Products that are not part of any category should disclose minimum sustainability criteria to enable comparisons** with products in sustainable categories: WWF developed [specific recommendations for that purpose](#). At a minimum, as [recommended by Eurosif](#), products that are not part of any category should provide a clear

²⁵ See [WWF/Urgewald recommendations on this issue](#).

warning/disclaimer that they do not integrate sustainability features, which can lead to sustainability-harmful investments. Otherwise, it is very likely that end investors will remain misinformed on this critical issue.

- As mentioned in the first section, would the Commission not propose an impact investing category but only specific minimum disclosures for impact products, it should clarify that products not meeting these minimum disclosures for impact products shall not be named and marketed as such.
- As mentioned in the first section, would the Commission proceed with the risky ‘ESG basic’ category, it should set much stricter naming and claiming rules for it than the other categories, as recommended by national regulators.

For more information

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