

Thematic notes on clear, fair & not misleading sustainability-related claims

Addressing greenwashing risks in support of sustainable investments

Third Note: impact claims

I. General expectations

1. Thematic notes are prepared for the attention of market participants with an educational objective and build on observed market practices¹. They do not create new regulatory requirements but aim to remind market participants about their responsibilities to make clear, fair and not misleading claims.
2. The third note focuses on impact claims. Other thematic notes will follow, as judged necessary.

Why do sustainability claims matter?

3. Market participants have a responsibility to communicate sustainability information in line with the principle of “fair, clear, and not-misleading information”. Sustainability claims are related to key aspects of the sustainability profile of an entity or a product.
4. Sustainability claims are made by market participants such as issuers, investment managers, benchmark administrators and investment service providers. Such claims may risk being misinterpreted and investors may be misled, regardless of whether or not this is the intention of the market participant.
5. In line with the work carried out by ESMA on greenwashing, market participants should acquaint themselves with the below four principles to ensure that all sustainability claims are clear, fair, and not misleading. Claims can be misleading in particular because of cherry-picking, exaggeration, omission, vagueness, inconsistency, lack of meaningful comparisons or thresholds, misleading imagery or sounds.

Four principles to follow

6. ESMA’s starting point in designing these principles is the ESA’s Progress Reports on Greenwashing² that recognised misleading sustainability claims being a concern from an investor protection perspective, regardless of whether they are specifically covered by the EU sustainable finance Rulebook. Certain EU legal texts go further in defining the meaning of ‘clear, fair and not misleading information’³.
7. The principles apply to non-regulatory oral and written communications (‘communications’). Regulatory information is understood as that required by specific disclosure standards (e.g. fund or bond prospectuses, management reports, funds’ KIDs, benchmark statements), while non-regulatory information covers all other types of communications such as marketing material and voluntary reporting. Communications aimed at retail investors may vary in length and may need to rely on the use of layering, with additional information accessible through links or references.

¹ When combined, the notes should be read as a thematic study.

² ESAs have been aligning their work i) through setting out a common high-level understanding of greenwashing and ii) in their expectations to market participants as included in the [ESMA Progress Report on Greenwashing](#) and in the final reports of [EBA](#) and [EIOPA](#).

³ For further details, see Annex 2 of the [ESMA Final Report on Greenwashing](#).

FIGURE 1: FOUR PRINCIPLES TO FOLLOW



1) Accurate

- Sustainability claims should fairly and **accurately** represent the entity's sustainability profile, and/or that of its financial products. This should be done without exaggeration and **consistently** across all communications while avoiding falsehoods.
- Claims should be precise and be based on all relevant positive and negative aspects. **Omission and cherry-picking** should be avoided. Claims should steer clear of **vagueness** and excessive references to irrelevant or non-binding information.
- Market participants should make sure that the **ESG terminology and non-textual imagery or sounds** used are **consistent** with the sustainability profile of the entity or product and do not overshadow the other contents.



3) Substantiated

- Sustainability claims should be substantiated with **clear and credible** reasoning, facts and processes.
- Substantiation should be based on **methodologies** (including **comparisons, thresholds or underlying assumptions**) that are fair, proportionate and meaningful. Limitations of information, data and metrics used in a claim should be made available. Comparisons should make clear what is being compared, how the comparison is made and, if possible, compare "like with like".



2) Accessible

- Sustainability claims should be based on information that is **easy to access** and easy to browse through by readers and at an appropriate level of detail so they are understandable. Moreover, claims should not be **oversimplistic** but should be easy to understand.
- Sometimes more explanation is desirable beyond the space provided, or when the aim is not to overwhelm the reader with information. This is particularly important in the case of short marketing materials aimed at retail investors. Further substantiation can then be presented to the reader in **layers** in the case of documents distributed in electronic format, ensuring substantiation is easy to find.



4) Up to date

- Sustainability claims should be based on information that is **up to date** with any material change to be disclosed in a timely manner.
- The clear indication of the analysis' date and perimeter could be useful for this purpose.

II. Sustainability claims about impact

Reasoning

8. Targeting positive impact is understood as seeking financial returns, while also making a real difference for the environment and/or society. Impact claims cover statements that explicitly or implicitly mention “impact”, “positive change” or equivalent terms. These claims are seen regarding funds, use of proceeds (UoP) bonds and sustainability-linked bonds (SLBs)⁴.
9. Market participants understand positive environmental or social impact differently and attach different levels of ambition to their impact claims. Observed practices include confusion between investor and investee impact, claims being made without a clear rationale as to how the investment strategy is expected to contribute to achieving positive impact. Claims can also be insufficiently substantiated. Market participants’ communication should be clear, fair and not misleading on their ambition, whether and how the fund/bond intends to create positive impact (intentionality), generates positive impact that might not otherwise happen (additionality) and how it measures the impact delivered (measurability). Market participants should clearly explain whether and how impact dimensions are addressed.

Impact in theory

10. **Intentionality** means having the explicit aim to generate positive impact, reflected in clear impact objective(s), a theory of change, ex-ante targets or financial incentives (e.g. variable remuneration). A **theory of change** provides a high-level explanation of how impact will be achieved, including the type of impact targeted and the metrics used for measuring the impact.
11. **Additionality** is a defining characteristic of impact investing. It can relate both to the impact generated by the investee (**investee impact**) and to the impact generated through the investor’s actions⁵ (**investor impact**). These are distinct concepts and should not be conflated. **Investee impact** refers to the positive environmental or social outcomes generated by a company, project or asset. Examples may be developing new technology to support sustainable agriculture or new renewable energy products for low-income households. **Investor impact** is the result of the investor’s actions (**the investor contribution**) aimed at influencing or enhancing those outcomes. Examples of investor actions are providing new capital to underserved markets, offering flexible financing terms, engaging with investee companies with a clear objective to creating positive impact, providing non-financial support such as capacity building, signalling for impact⁶.
12. **Investor additionality** refers to the extent to which a positive outcome can be *attributed* to the investor’s contribution because the outcome would not otherwise have occurred, or would have occurred to a lesser degree, in the absence of that involvement. Demonstrating investor additionality is inherently challenging and remains a developing field within impact investing. Because of this inherent challenge, a theoretical rationale (theory of change), explaining how the investment strategy and actions are expected to contribute to the claimed impact, is key when making impact claims.

⁴ SLBs stand out by having a pre-defined metric called SPT (sustainability performance target) which acts as the main impact metric.

⁵ The potential to generate positive impact varies across asset classes, for instance, certain actions are only available to private funds.

⁶ Signalling means encouraging positive change by showing others that impact investing matters (e.g. by communicating how impact considerations influence investment choices, by launching a new impact fund on a previously unknown impact theme).

13. Since these additionality concepts are technical and can be misunderstood by investors, market participants should clearly explain which type(s) of impact they seek to achieve. Failure to distinguish clearly between investee impact and investor impact may result in misleading claims.
14. **Measurability** means tracking progress towards objectives and publishing accurate and up-to-date results. Key performance indicators (KPIs) focus on outputs (e.g. emissions), outcomes (e.g. emissions avoided) or impact (e.g. improvement in quality of soil). Output metrics show what an activity produces (e.g. proceeds allocated), but not whether and to what extent people or the environment actually benefited of the activity. They are robust when anchored in well-defined ex-ante targets. Outcome and impact metrics instead focus on benefits to the real-world, for people or the environment. Where supported by robust estimates, they can be more closely aligned with prominent impact claims than output metrics.

Observed market practices

15. Partly stemming from the existence of different frameworks of various degrees of ambition⁷, market practices are diverging and market participants often do not explain well their approach. Below are the most important points of difference observed that can cause confusion:
- Some products communicate a clear, binding impact objective supported by a theory of change describing the challenges addressed and how impacts are measured. In other cases, objectives are too broad (e.g. promoting UN SDGs), absent or non-binding and the theory of change can be vague or missing. Some products set out impact-related asset selection criteria. Others use ESG criteria instead of impact criteria or select investments that avoid harm rather than generate positive impact.
 - Specific to funds: some funds clearly distinguish in their communications between investee and investor impact. Often, however, this distinction is unclear, and portfolio-level metrics derived from investee companies may be presented as evidence of investor-level impact. Some funds claim they apply impact criteria throughout investment decisions and portfolio construction. Others use such criteria for pre-screening (e.g. to define the investable universe), without influencing investment decisions. References to investor contribution or additionality are often made inconsistently across fund documents and/or without substantiation. For certain funds, standard ESG engagement (e.g. voting on sustainability-related matters at shareholder meetings) is presented as impact generating without clarifying whether it touches upon impact-related matters (e.g. how these votes are part of an impact business plan with clear annual impact milestones).
 - Specific to bonds⁸: for some, information provided on alignment with issuer strategy and materiality is unclear and financed activities or targets may be immaterial relative to the issuer's core operations. Some issuers do not provide post-issuance reporting aligned with pre-issuance commitments (e.g. lack of allocation report, KPIs not matching those in bond framework). Some UoP bonds provide a clear link between proceeds and financed projects. In other cases, proceeds are allocated to general pools, limiting the ability to attribute impact.
16. The practical do's and don'ts and examples that follow aim to provide useful guidance to the market participants making these claims. Their relevance and level of detail will depend on the nature of the claim, product, strategy and asset class, while communications to investors should remain clear and concise.

⁷ UN PRI Legal framework for impact; SDG Impact standards; Institut de la Finance Durable (IFD) Charter and assessment grids; IMP/Impact Frontiers 5 dimensions of impact. According to this [industry report](#) (2024, p. 8), 3 of 7 frameworks require investor additionality by alternative private funds.

⁸ Certain 'poor practices' presented in this note may not satisfy the disclosure requirements for non-equity securities advertised as taking into account ESG factors or pursuing ESG objectives set out in Annex 23 of Commission Delegated Regulation (EU) 2019/980

Impact claims by funds and bonds



Do's

- Do clarify the environmental or social problem(s) targeted and how the intended impact will be attained and measured.
- Do be clear about the ambition with reference to intentionality, additionality and measurability. Communicate consistently on the ambition.
- If the product targets investee impact, do be clear about the impact-related criteria used for asset selection (eligibility criteria, thresholds and scoring methodologies).
- Do select relevant impact KPIs for which consider defining ex-ante targets. Explain whether KPIs measure outputs, outcomes or impact. Make available assumptions, limitations in methodologies.



Don'ts

- Don't make claims about generating positive impact without the theory of change clearly explaining how impact will be achieved.
- Don't rely on exclusion-based screening or ESG risk-focused metrics as substitutes for impact-related criteria.
- Don't label products or underlying investments as "impact" solely due to asset class or sector.
- Don't report selectively, don't omit binding impact objectives and KPIs selected ex-ante.
- Don't present impact-related concepts without making clear whether these concepts are actually embedded in the product's strategy.
- Don't include disclaimers that distance the fund manager or issuer from responsibility for impact data or assumptions without explaining how their reliability is assessed.

Funds' impact claims



Do's

- Do define a clear impact objective, linked to specific environmental and/or social challenges.
- Do ensure consistency between ambition, impact objective and investment strategy incl. impact criteria and resources used for impact analysis or engagement.
- Do clarify whether the fund aims to generate investee impact, investor impact, or both.
- If the fund targets investee impact, do clarify how impact considerations influence investment decisions.
- If the claim is limited to investee impact, be clear to investors that their investment does not bring additional environmental or social impact than the impact created by the investee companies.
- If investor-level impact is targeted, do explain which impact actions are used; how the investor impact will be monitored and/or quantified; avoid taking credit for impacts not attributable to the fund's actions.



Don'ts

- Don't use ambiguous or non-binding terms in describing impact objectives (e.g. investing in companies aligned with the UN SDGs).
- Don't make references to investor-level impact without substantiation in connection to the impact actions.
- Don't imply that investor ownership of listed securities is, on its own, expected to generate impact.
- Don't claim simply that new investments in the fund will deliver extra positive impact.
- Don't reference impact-motivated engagement unless you clarify how this is different from standard ESG engagement.

Bonds' impact claims



Do's

- Do ensure consistency between the bond's impact claims and the issuer's sustainability strategy.
- Be transparent about the level of materiality of the projects financed (UoP) or targets selected (SLBs) to the issuer's core business operations.
- Do explain how the bond issuance contributes to positive impact (link between proceeds/targets and claimed impact, how the issuance contributes to impact beyond business-as-usual financing).
- For UoP, do ensure that proceeds are allocated to clearly identifiable projects and that a verifiable funding link between the issuance and financed projects is available.
- For SLBs, do explain the ambition of the Sustainability Performance Targets (SPTs) and their relevance to material environmental or social challenges. Give explanations when SPTs are revised.
- Do report against objectives over time and explain how performance against KPIs or targets is monitored.



Don'ts

- Don't use unambitious or easily achievable KPIs as sole evidence of impact.
- Don't make prominent impact claims for an SLB whose SPTs are not indicative of plausible positive environmental or social impact or are not linked to broader impact on people or the environment.
- Don't present project level KPIs prominently where the financed projects are not in line with the issuer's core sustainability related operations.
- Don't fail to deliver on post-issuance reporting that was committed to at issuance while continuing to reference positive pre-issuance second-party opinions (SPOs) based on the promised impact reporting.



Example 1

Private fund: flexible capital



A private fund focuses on circular economy solutions that reduce resource consumption. It targets both investee impact and investor impact via investor contribution.

- ✓ It clarifies that companies are selected via a proprietary impact score computed by its analysts.
- ✓ Its investor contribution consists of providing flexible capital (convertible bonds linked to impact targets) to incentivise companies to expand production of recyclable material. It may divest if targets are not achieved.
- ✓ Its impact methodology discloses baseline assumptions for metrics and ex-ante targets for increasing circular product output.



Example 2

Green loans: measurability



A bank markets itself as "a positive-impact-led bank" and issues a green bond to increase its share of green financing.

- ✗ It relies on generic, issuer-level KPIs (e.g. growth in green lending) without explaining how these translate into positive environmental impact. KPIs are not linked to specific environmental outcomes.
- ✗ The Green Bond Report includes the disclaimer: "we have not verified or assessed the assumptions underlying the data obtained from our clients".

More funds examples

Example 3

Africa fund: investor additionality



A fund investing in financial institutions in Sub-Saharan Africa makes prominent impact claims:

- ✓ It fosters financial inclusion by increasing access to credit for underserved SMEs. It explains how capital is channelled to institutions that lend to SMEs.
- ✓ It distinguishes between investee impact (loans granted by the financial institutions), investor contribution (provision of capital to offer more loans) and investor additionality (provision of capital to offer more loans with uniquely advantageous conditions).

Example 4

Climate fund: exclusions-only



A climate fund states “Our fund delivers positive impact, every euro invested leads to a better world.”

- ✗ It is unclear where the positive impact is coming from.
- ✗ Only stock-picking criteria are the exclusion of high-emitting companies and 50% of the companies in the portfolio must “show good ESG practices”.
- ✗ Only binding impact metric is carbon footprint.
- ✗ Its impact report has an investor additionality section mentioning signalling and engagement in broad, generic terms.

Example 5

Impactful engagement



An infrastructure fund targets access to healthcare in Central Europe. It aims to select companies that have investee additionality and to deliver investor contribution via engagement.

- ✓ It lists as KPIs: number of additional consultation rooms built (output), reduction in waiting times in target regions (impact).
- ✓ It provides narratives showing how it generates investor contribution via engagement (“we engaged with X to provide feedback on how it could more accurately measure its net positive impact”).
- ✓ It explains how it sometimes targets investor additionality “when engaging with companies on positive impact, we try to do so on topics where we have an edge relative to other managers so that we can generate additionality”, though it is transparent about not being able to quantify the additional impact.

Example 6

SDG thresholds & signalling



An investment firm manages a discretionary equity portfolio which targets multiple impact objectives, including some related to water, pollution and claims to hold “impactful companies” defined as having at least 30% SDG alignment. The firm claims this portfolio delivers real-world impact:

- ✗ Security selection relies on SDG thresholds (with no ex-ante targets or baseline information), without showing how holdings contribute to specific environmental impacts.
- ✗ Its impact report focuses on a subset of objectives and KPIs while omitting its binding water-related metric, leaving unclear if the water objective is still addressed.
- ✗ In a brochure it hints at investor-level impact via signalling not mentioned anywhere else.

Example 7

No real-world impact



A listed equity fund aims to hold biotech companies that deliver positive social impact. It does not target any investor-level impact.

- ✓ Website clearly states in a prominent location: “Investment in this fund does not bring additional social impact beyond the impact created by the biotech companies it holds. Indeed, the fund selects companies that meet the precise impact-related criteria such as developing therapies for unmet medical needs”.

Example 8

Listed fund: taking credit



A listed multi-asset fund claims to generate “real world positive impact” via engagement.

- ✗ It only provides information on generic ESG engagement topics such as proxy voting for 40% of the portfolio, with no clear objectives, milestones or demonstrated outcomes linked to positive impact.
- ✗ In its impact report it notes a company’s progress in reducing water-related health risks and takes full credit, without acknowledging that this outcome was also influenced by engagement from other investors.
- ✗ Its fund brochure refers to non-financial capacity building to enhance the social impact of UoP projects, yet it does not substantiate that claim.

More bonds examples

Example 9

Bond-specific reporting



An EU manufacturer of homes issues a green bond to finance a project to expand its construction activity.

- ✓ In its theory of change, it explains that the homes built are 50% cheaper per square meter than other rental options, thus addressing the challenge of lack of affordable housing in certain cities.
- ✓ In its bond framework, it lists key metrics, e.g. the number of affordable housing units provided.
- ✓ In its reporting, it includes an ISIN-level breakdown of this metric across the various bonds to fund this project.

Example 10

SLB: weak social KPIs



A company issuing an SLB claims societal impact based on increasing the percentage of women in senior management positions in its own organisation.

- ✗ No explanation is provided as to how this metric generates social positive impact.
- ✗ After 2 years there is a revision of the SPT. This is not explained consistently across marketing documents.
- ✗ The issuance is part of a broader “sustainable positive impact bond framework” where all SLBs and UoP bonds are considered to generate positive impact without any explanations.

Example 11

SLB: Good measurability



An industrial firm issues an SLB with SPTs linked to core business transformation, incl. increase in share of low-carbon products in total revenues, reduction in pollution intensity from manufacturing processes.

- ✓ Chosen SPTs are highly material, include both output (% of revenues from low-carbon products) and outcome metrics (reduction in pollutant discharge).
- ✓ Impact report includes links to methodologies for metrics including baseline scenarios, assumptions and an estimated probability of not achieving the expected positive impact.

Example 12

SLB: relevant KPIs



An SLB issued by a consumer goods company claims impact on food waste:

- ✗ It selects GHG emissions reduction as the only SPT. The link between the selected KPI and the stated impact objective is unclear.
- ✗ It makes ambitious claims about the positive environmental impact of its GHG reduction goals despite the SPO report calling these “in line with peers”.
- ✗ Impact report includes total environmental benefits related to food waste without clarifying the proportion financed by the bond issuance.

Example 13

UoP: eligibility criteria



A public transport authority issues a series of green and social UoP bonds to finance the construction of new suburban train lines in a developing city. The issuer:

- ✓ Explains how improved transport reduces congestion and emissions and how it integrates social criteria in project delivery.
- ✓ Defines clear eligibility criteria requiring that financed projects: address an environmental or social challenge (limited transport access); meet minimum thresholds (e.g. reduction in car usage).
- ✓ Reports annually on outcome and impact metrics such as % of local workforce employed (including disabled workers), and estimated CO₂ avoided vs. baseline.

Example 14

UoP: Shifting metrics



A company issues a UoP bond to finance the construction of energy-efficient factories in new underserved regions, expected to create environmental and social impact.

- ✗ After issuance, it changes the outcome metric it had committed to report (jobs created in low-income households) to an output metric (staff employed) without explanation.
- ✗ Vague explanations are provided on project selection (no clear-cut energy efficiency-related criteria).
- ✗ It continues to display the positive parts of the SPO report published pre-issuance in presentations to investors, despite some of these being outdated due to the changes made.