Sustainability disclosure regulations in the EU: an enabling factor for impact investors?

Sustainability Accounting, Management and Policy Journal

Brigitte Bernard-Rau and Johannes Maximilian Freiling
Department of Socioeconomics, University of Hamburg, Hamburg, Germany

Received 5 June 2025
Revised 24 October 2025
20 February 2026
19 June 2026
22 June 2026
Accepted 22 June 2026

Abstract

Purpose – This paper aims to examine impact investors' perceptions of the sustainable finance disclosure regulation (SFDR) and evaluates how effectively it helps impact-generating investors in achieving positive social and environmental impacts and broader sustainable transformations.

Design/methodology/approach – The authors conduct an exploratory qualitative study based on semi-structured interviews with impact investment professionals. The data were analysed using a structured, interpretive approach to identify patterns in how practitioners interpret and implement the SFDR in their day-to-day work.

Findings – The findings reveal a regulatory-practice misalignment between the objectives of the SFDR and impact investors' goals of generating positive real-world changes. Despite improving comparability and transparency, the reporting burden, ambiguous product categorizations and ineffective metrics are identified as key concerns of the SFDR. Impact investors propose the adoption of clear labels, increased flexibility in disclosure requirements and a stronger focus on impact-generating criteria to mitigate these drawbacks.

Practical implications – The findings provide policy recommendations to European legislators and policymakers on refining the SFDR to better align with the needs, goals and practices of impact investors.

Social implications – Impact investors offer financial products with strong potential to generate social and environmental change. Aligning the SFDR with impact-generating practices ensures that the regulation effectively supports such investments.

Originality/value – To the best of the authors' knowledge, this study is among the first to provide a practitioner-focused analysis of how impact investors interpret and operationalize the SFDR. It contributes to sustainable finance regulation research by conceptualizing the misalignment between regulatory design and impact investing practices as regulatory-practice misalignment.

Keywords Impact investing, Sustainable finance disclosure regulation (SFDR), Impact-generating, Art. 9, Regulatory-practice misalignment, Sensemaking

Paper type Research paper

1. Introduction

Sustainability disclosure regulations may offer impact investors an opportunity to articulate and demonstrate their positive social and environmental contribution. This is particularly relevant because impact investing has emerged as a promising investment approach, evolving from a niche concept into a well-established investment strategy that not only addresses social and environmental goals, but also seeks broader sustainability transformations (Busch *et al.*, 2016, 2021; Bosurgi *et al.*, 2023; Cojoianu, Hoepner and Lin, 2022; Flammer, 2021;

Sustainability Accounting, Management and Policy Journal
Emerald Publishing Limited
2040-8021
DOI 10.1108/SAMPJ-06-2025-0830

Paetzold *et al.*, 2022). As part of the European Union's (EU) broader effort to support sustainable development in financial markets, the sustainable finance disclosure regulation (SFDR) establishes transparency requirements for financial market participants (FMPs) and financial advisers regarding the integration of sustainability risks and adverse sustainability impacts into their processes and financial products (European Parliament, 2019, Art. 1). The SFDR can therefore be understood as part of a broader regulatory effort to move sustainability disclosure beyond communication and reputation management towards greater transparency, comparability and accountability in relation to social and environmental value creation (Adams, 2017). Within the EU sustainable finance framework, the SFDR also applies to impact investors and affects their investment strategies, reporting practices and the conditions under which their impact claims are made credible.

Despite the apparent alignment between EU sustainable finance regulation and the development of impact investing, the effectiveness of the SFDR in supporting impact-oriented investments remains contested. Research suggests that the SFDR may help mitigate greenwashing, attract investor attention and direct capital flows towards sustainable funds (Abouarab *et al.*, 2025; Becker *et al.*, 2022; Birindelli *et al.*, 2023; Cochran *et al.*, 2025; Ferriani, 2024; Scherer and Hasaj, 2023; Scheitza and Busch, 2024). Yet applying the regulation to impact investing remains conceptually and practically complex. Impact investors, as defined by the global impact investing network (GIIN), intentionally seek to "generate positive, measurable social and environmental impact alongside a financial return" (GIIN, 2023). Busch *et al.* (2021) further conceptualize that "impact-generating" investments as those that actively contribute to social and environmental solutions with a clear causal link between the investment activity and real-world outcomes. In this sense, impact-generating investments differ from ESG investing and philanthropy as they combine financial returns with intentional and measurable contributions to sustainable development by seeking social and environmental change (Busch *et al.*, 2016; Paetzold *et al.*, 2022).

In this study, the term "impact investors" refers specifically to impact-generating investors. We define them as capital providers whose investment objectives and underlying strategies are designed to actively contribute to social and environmental solutions and transformations, and who explicitly identify themselves as impact investors in public disclosures, such as websites or annual reports.

It remains unclear how a disclosure-based regulation intended to improve sustainability-transparency and comparability, and which thereby support the broader EU objective of redirecting capital flows towards sustainable investments translates into operational practices that meet the needs and goals of impact investors. In particular, little is known about how impact investors interpret and operationalize the SFDR, and what challenges arise in this process.

To address this gap, this study asks the following research question:

RQ1. How do impact investors interpret the effectiveness of the SFDR and operationalize it in pursuit of their impact-generating goals?

To answer this question, we draw on 19 interviews with impact investment professionals across several EU countries. We apply the concept of interpretation from sensemaking theory (Maitlis and Christianson, 2014; Weick, 1979, 1995; Weick *et al.*, 2005) to examine how impact investors make sense of the SFDR through their interpretations and practices. Our contribution is two-fold: Firstly, our study offers a conceptual and empirical mapping of the regulatory challenges experienced by impact investors and secondly, it provides practitioner-informed policy recommendations for refining the SFDR.

The structure of this study is as follows:

Section 2 reviews the literature on impact investing and the SFDR, clarifying how the regulation relates to impact-generating goals and distinguishing impact investing from other responsible investment strategies. Section 3 outlines the research design, including the sample, data collection and analytical approach. Section 4 presents the findings, followed by Section 5, which discusses how impact investors perceive the SFDR to effectively support their specific goals. It also offers policy recommendations and a comparison to the current SFDR 2.0 proposal, reflects on limitations, and suggests avenues for future research. Finally, Section 6 concludes with a summary of the key findings, highlighting the study's contribution to impact investing and to sustainable finance policy and regulation.

2. Literature review and theoretical framework

2.1 The sustainable finance disclosure regulation: the European Union's disclosure pillar

The European Commission set out a sustainable finance regulatory framework to advance sustainable development in the EU (European Commission, 2018). This framework includes the SFDR, the EU Taxonomy and the EU Climate Transition and EU Paris-aligned benchmarks. Together, these measures aim to channel targeted financial investments towards the EU's goal of becoming the first carbon-neutral continent (Boni and Scheitza, 2025). Achieving the EU's objectives requires both clear definitions and disclosure requirements both with the EU Taxonomy and the SFDR providing a quasi "dictionary" of sustainable economic activities (Hoepner and Schneider, 2022).

The SFDR is designed to improve transparency and comparability across financial products and jurisdictions, reduce information asymmetries and enable investors with sustainability-oriented goals to allocate capital to sustainable projects (Alessi *et al.*, 2022; Busch *et al.*, 2021; European Parliament, 2019; Ferriani, 2024; Jaya, 2024; Partiti, 2024; Scheitza *et al.*, 2022).

It operationalizes this through two layers of disclosure: entity-level and product-level (Becker *et al.*, 2022; Bengo *et al.*, 2022; Birindelli *et al.*, 2023). At the entity-level, FMPs are expected to assess and disclose their sustainability risk policies (Art. 3), state whether and how they consider principal adverse impacts (PAIs) (Art. 4) and how their remuneration aligns with sustainability-risk policies (Art. 5) (Bengo *et al.*, 2022; Partiti, 2024). At the product-level, they report on how sustainability risks affect returns (Art. 6), whether and how product-specific PAIs are considered (Art. 7) and their products' sustainability ambition (Art. 8, Art. 9) (Ferriani, 2024). The SFDR requires progressively stringent disclosures based on FMPs self-assessment of their products' sustainability risk profile and sustainability ambition levels:

- products having no sustainability ambition but considering the sustainability risk in the investment decision (Art. 6 products);
- products promoting environmental or social characteristics (Art. 8 products); and
- those having sustainable investment as their objective (Art. 9 products).

In practice, FMPs and scholars alike read Art. 6, 8 and 9 as a continuum of environmental, social, and governance (ESG) integration, each Art. representing progressive disclosure requirements (Becker *et al.*, 2022; Birindelli *et al.*, 2023; Busch, 2023; Martinez-Meyers *et al.*, 2024; Ramos Muñoz *et al.*, 2024).

An emerging literature assesses the effectiveness of the SFDR against its own objectives of capital allocation (Birindelli *et al.*, 2023). Several studies report positive effects of the SFDR implementation: rising ESG ratings across EU funds (Becker *et al.*, 2022), greater transparency and inflows into "dark green" funds (Ferriani, 2024), declining inflows after

Art. 9-to-8 downgrades (Scherer and Hasaj, 2023), portfolio decarbonization (Dai et al., 2026) and reduced greenwashing (Abouarab *et al.*, 2025).

At the same time, action groups and scholars have raised concerns about ambiguities in product categorization and disclosure requirements, prompting proposals to revise and adjust the SFDR (Eurosif, 2022; Vandeloise, 2024; Volhard *et al.*, 2025). Scholars argue that the regulation remains too vague to fully address transparency issues (Cremasco and Boni, 2024), that the boundary between Art. 8 and 9. is ambiguous (Scheitza and Busch, 2024), that incompletely defined principles may undermine the EU's capital allocation goal (Cochran *et al.*, 2025), that it over-emphasizes environmental over social matters (Boni and Scheitza, 2025), and that it fails to ease data-availability concerns (Gebhardt *et al.*, 2024).

Given the mixed assessment on the SFDR's effectiveness in contributing to the reorientation of capital flows towards a more sustainable economy, several questions remain. Current analyses often neglect the perspective of smaller investors, limiting assessments of effectiveness to only selected FMPs. In particular, Cojoianu *et al.* (2022) call for research on how impact investors specifically navigate the SFDR and how they perceive its effectiveness and value.

2.2 Impact investing

Impact investors intentionally use *impact* as a guiding principle for their investment decisions (Agrawal and Hockerts, 2019; Block *et al.*, 2021; Busch *et al.*, 2021; Hockerts *et al.*, 2022). By deploying capital with this intention and systematically tracking and measuring its positive effect on their investments, such investors are able to generate both positive social and environmental change and financial returns (Agrawal and Hockerts, 2021; Hockerts *et al.*, 2022). They thus strive to be impact-generating (Busch *et al.*, 2022; Hockerts *et al.*, 2022).

Bugg-Levine and Emerson (2011) underscore the importance of enabling investors to achieve this objective. Introducing the SFDR, the EU has created a regulation that promises to do just that.

However, Gebhardt *et al.* (2024) show how institutional investors' information needs have been influenced by the SFDR. It remains unclear how this applies to impact investors and how the SFDR drives an improvement of transparency through demanding new disclosures. Furthermore, Busch *et al.* (2021) note that the field still lacks a qualitative approach grounded in the ideas and experiences of impact investors. Similarly, Cojoianu *et al.* (2022) emphasize the need for research into the effectiveness of the regulation in supporting impact investing objectives. Understanding the needs of these investors and their interpretation of the text may provide a valuable perspective and reinforce the call for improvement in specific areas of the SFDR. By examining whether the SFDR is an adequate tool in supporting impact investors to fulfil their impact-generating goals, we aim to address an important gap in the literature and contribute to a more complete understanding of the regulation's effectiveness and its implication for the advancement of the impact investing landscape (Busch *et al.*, 2021).

2.3 Sensemaking and regulatory interpretation

Sensemaking describes "the process through which people assign meaning to issues or events that cause the current state of the world to be different from the expected state" (Cristofaro, 2022, p. 393). It is usually distinguished into the three unique steps of creation, interpretation and enactment that follow a disruptive trigger event (Sandberg and Tsoukas, 2015; Weick and Daft, 1983). During the creation phase, the entity in question creates an initial understanding of the event based on cues that arise from it. Interpretation entails the contextualization of the initial understanding and its application to the specific organizational and operational reality of the entity (Maitlis and Sonenshein, 2010). The enactment phase describes the interpretation-based reaction to the disruptive event and the creation of a new meaning or reality (Kudesia, 2017).

The implementation of the SFDR presents a disruptive event for impact investors that presents applicability challenges and induces organizational change. Prior approaches and definitions are overhauled and new understandings have to be developed. This can be analysed using sensemaking theory, specifically the concept of interpretation as it enables a simplification of the unstructured initial experience with a disruptive event. Interpretation connects perceived cues to the organizational reality of the actor and identifies specific phenomena applicable to that organization (Chia, 2000; Weick *et al.*, 2005).

Observing the SFDR implementation through an interpretation lens allows us to conceptualize regulatory-practice misalignment not primarily as a structural defect of the regulation, but as an interpretive process unfolding at the organizational level. A sensemaking perspective to SFDR implementation highlights how impact investors actively interpret, contextualize and address the requirements of the SFDR within their existing investment goals. By focusing on interpretation, this study examines how regulatory meaning is constructed in practice, and how these interpretive processes shape impact investors' perceptions of the regulation and their organizational responses.

3. Research methods

This study adopted an exploratory qualitative research design, drawing on semi-structured interviews. Given the novelty of the research perspective, this method allowed participants to freely express their views, irrespective of their title or hierarchical position (Adams, 2015). It also allowed for the flexible adjustment of the questions based on emerging insights. Due to their usefulness in assessing the effect of a process or event, expert interviews provide a fitting analytical method for our study which aims to understand how impact investors interpret and engage with a particularly complex and evolving regulatory environment (Kakilla, 2021; Soest, 2023).

3.1 Data sample

To identify suitable participants for this study, several sampling methods were used. During sample selection, we used a criteria-based purposive sampling approach using two country-level dimensions: gross domestic product (GDP) and size/maturity of the impact investing market (Palinkas *et al.*, 2015; Ritchie *et al.*, 2003). These dimensions capture structural and field-level variation relevant to our focus on impact investing markets (Patton, 2014). GDP was used to identify jurisdictions with advanced financial market infrastructure that can facilitate impact investments (Emerson *et al.*, 2015). We formed a preliminary group of the 25 largest Schengen countries by GDP (Eurostat and IMF, 2024).

To better size and evaluate the maturity of the national impact-investing markets, we consulted reports from the GIIN and the bundesinitiative impact investing as well as the "Impact Database EU", a database containing information on the number of impact investors per country (BIII, 2022; GIIN, 2024; Impact Database EU, 2026). Based on this information, we decided to focus our research on 12 countries: Germany, France, Belgium, Luxembourg, the Netherlands, Austria, Switzerland, Spain, Portugal, Italy, the Czech Republic and Denmark. Within these countries, we screened the "Impact Database EU" for organizations adopting our definition of impact-generating investments. We reviewed each organizations' website and publicly available reports to verify impact intentionality, impact measurement and a statement about their contribution to positive real-world changes. This process yielded

48 organizations for interviews, which shows the small size of the European impact investing community when strictly screening for impact-generating criteria.

We then identified individual participants to be contacted using an “availability sampling” method (Sullivan, 2001). Between one and four employees per organization were selected and approached based on their visibility on company websites and presence on LinkedIn. In addition, we used a “snowball sampling” method at the end of each interview, asking participants to recommend other suitable interviewees for the study (Vandor *et al.*, 2025).

3.2 Data collection

In total, 70 prospective interviewees were contacted via LinkedIn, resulting in 19 completed interviews with 16 participants. The interviews were conducted in two rounds between June 2024 and October 2025. The first round consisted of 13 interviews with impact investors and was subsequently complemented by 6 additional interviews, 3 of which were conducted with participants from the first round. This design allowed us to capture perceptions of the SFDR implementation over time rather than a single point in the regulatory process. During the interview period, the European Commission facilitated a regulatory review process and held extensive consultations on the applicability and feasibility of the regulation. The joint ESAs opinion on the assessment of the SFDR, published in June 2024, and the Commission’s subsequent preparatory work towards a legislative proposal signalled that core elements of the framework, including the use of Art. 8 and Art. 9 disclosures as *de facto* product categories could be reconsidered (ESAs, 2024). The interviews therefore capture impact investor’s perceptions of the SFDR during a period of regulatory uncertainty and anticipated reform.

Table 1 summarizes the interviewees by headquarters location, role, organization type, organization size and interview length. Participants were senior professionals actively engaged in the European impact investing sector, including heads of impact, fund managers, investment analysts and founders of impact-focused investment firms. They represented various perspectives within the professional impact investing community, including microfinance, sustainable development goals (SDG)-oriented funds and impact-focused venture capital (VC). Impact organizations are distinguished into small and large companies based on their impact assets under management (AUM). This approach is consistent with the classification used by the GIIN, which categorizes impact investors by size into small investors (AUM ≤ US$100m), medium-sized investors (AUM > US$100m and ≤ US$500m) and large investors (AUM > 500 million) (GIIN, 2025). For advisory companies and industry association representatives, this characteristic is reported as “N/A”. The interviews lasted 36 min on average. They were conducted digitally via Zoom or Microsoft Teams. From the limited size of the impact investor community, we were able to create a consolidated sample, only including impact-generating investors. This provides the specificity needed to address the goal of this study. Rather than aiming for representativeness, we strove to discover new ideas and perspectives of impact-generating FMPs.

Data collection followed a two-part questionnaire (Appendix). Firstly, the participants were asked to describe issues or challenges faced in the impact investing market and how these were addressed. Secondly, they discussed their opinions of the SFDR and their experiences with its key aspects, namely, categorization, measurement issues and disclosure. The questionnaire was continuously refined over the course of the study. A second round of interviews was conducted with the same questionnaire for new participants and follow-up questions for selected first round participants.

The questions were intentionally designed to be open-ended and non-suggestive to reduce interviewer bias and to give respondents the freedom to articulate their thoughts, experiences

Table 1. Participant overview

Interviewee	HQ location	Role	Organization type	Organization size[a] (category)	Interview length (Interview round in brackets)
Interviewee 1	Germany	Head of SDG	Investment management with impact investments	Large	(1) 00:36:50
Interviewee 2	Germany	Senior impact manager	Microfinance-focused impact investments	Large	(1) 00:49:46 (2) 00:10:03
Interviewee 3	Luxembourg	Founder	Alternative investment fund management	Large	(1) 00:27:52
Interviewee 4	Luxembourg	Fund manager	Microfinance-focused impact investments	Small	(1) 00:52:51 (2) 00:16:31
Interviewee 5	France	Head of impact	Microfinance funding and assistance	Small	(1) 00:25:43
Interviewee 6	Switzerland	Investment analyst	Impact VC fund	Large	(1) 00:28:47
Interviewee 7	Spain	Investment associate	Impact VC fund	Small	(1) 00:41:59
Interviewee 8	Switzerland	ESG and impact analyst	Microfinance-focused impact investments	Large	(1) 00:44:58 (2) 00:20:01
Interviewee 9	Luxembourg	Managing director	Social performance management	N/A	(1) 01:08:10
Interviewee 10	Germany	Director	Impact asset manager	Large	(1) 00:48:31
Interviewee 11	Belgium	Impact manager	Microfinance investment cooperative	Small	(1) 00:48:58
Interviewee 12	Spain	Impact VC analyst	Impact VC fund	Small	(1) 00:25:20
Interviewee 13	The Netherlands	Founder	Impact investing expert/ consultant	N/A	(1) 00:26:37
Interviewee 14	France	Impact VC analyst	Impact asset manager	Small	(2) 00:42:26
Interviewee 15	Belgium	Investment analyst	Impact asset manager	Small	(2) 00:42:44
Interviewee 16	Belgium	Impact manager	Microfinance investment cooperative	Small	(2) 00:30:03

Note(s): [a]GIIN (2025)
Source(s): Authors' own work

and interpretations in their own words and from their own perspective (Soest, 2023). Thus, the perspectives of impact investing practitioners were minimally diluted or obscured, allowing for a faithful account of their lived experience.

During the interviews, running notes were taken to capture key points, highlight emerging analytical cues and record ad hoc ideas and impressions that could inform subsequent data analysis. This helped support later differentiation of each interview and provided a strong foundation for coding. By giving interviewees the opportunity to elaborate on new ideas, to make sense of their implementation of the SFDR, and reflect on their roles within the process, the study uncovered new insights about investors' perception of the regulation and its influence on their daily operations.

3.3 Data analysis

Following the Gioia methodology (Gioia and Chittipeddi, 1991; Gioia *et al.*, 2013; Gioia, 2021), we moved iteratively between the empirical material and emerging conceptual categories. After developing first-order codes closely grounded in our interview data, we clustered these codes into theoretically informed second-order themes, then consolidated them into aggregate dimensions. Guided by sensemaking theory as an analytical lens (Weick *et al.*, 2005), the second-order themes capture recurring patterns in how participants interpret and operationalize the SFDR. These steps are summarized in the data structure depicted in Figure 1. This systematic inductive approach privileges participants' voices while allowing for the abstraction of codes into higher-level patterns. The coding was initially conducted by one author using MAXQDA and subsequently reviewed, clarified and verified collaboratively by both authors.

The first-order analysis involved grouping similar ideas expressed by interviewees to establish initial common ideas and perspectives. The entire data set was systematically reviewed to ensure comprehensive engagement with the material. Although inductive, the analysis of the data set was informed by preliminary categorical ideas and concepts derived from the broader research context. This process resembled an open coding process delineated by Corbin and Strauss (1990), allowing the researcher to gain a high-level overview of the data and to develop initial codes (Strauss and Corbin, 1990). Using axial coding methods, those initial codes were then screened for familiarity and consolidated into categories (Strauss and Corbin, 1990). This stage yielded several themes which were phrased similarly to the original participants' language while preserving their nuance. As these codes were telling a story that reflected the interviewees' opinions, perceptions and actions within the study context, this first-order stage remained informant-centric (Gioia *et al.*, 2013). Overall, 32 first-order codes were identified, reflecting mostly unfiltered participant insights and creating an initial systematization of the data (Gioia, 2021). Examples include *uncertainty about possible changes to SFDR*, *SFDR neglects social dimension*, *small investors are disadvantaged under SFDR* and *microfinance industry had to develop best practices together.*

The second-order analysis integrated a more interpretive, researcher-centric perspective. First-order codes sharing conceptual similarities were grouped into broader themes to form second-order themes. Connecting the two perspectives of participants and researcher, these broader themes were developed by revisiting the coding results multiple times (Gioia and Chittipeddi, 1991). For instance, codes relating to data, measurement and reporting or disclosure were consolidated into themes such as, *data quality and accessibility challenges*, *tension between standardized metrics and impact investing*, *reporting hurdles and resource disparities*, respectively. In total, 11 second-order themes were identified. These themes bridge the relationship between original data and the theoretical lens of sensemaking,

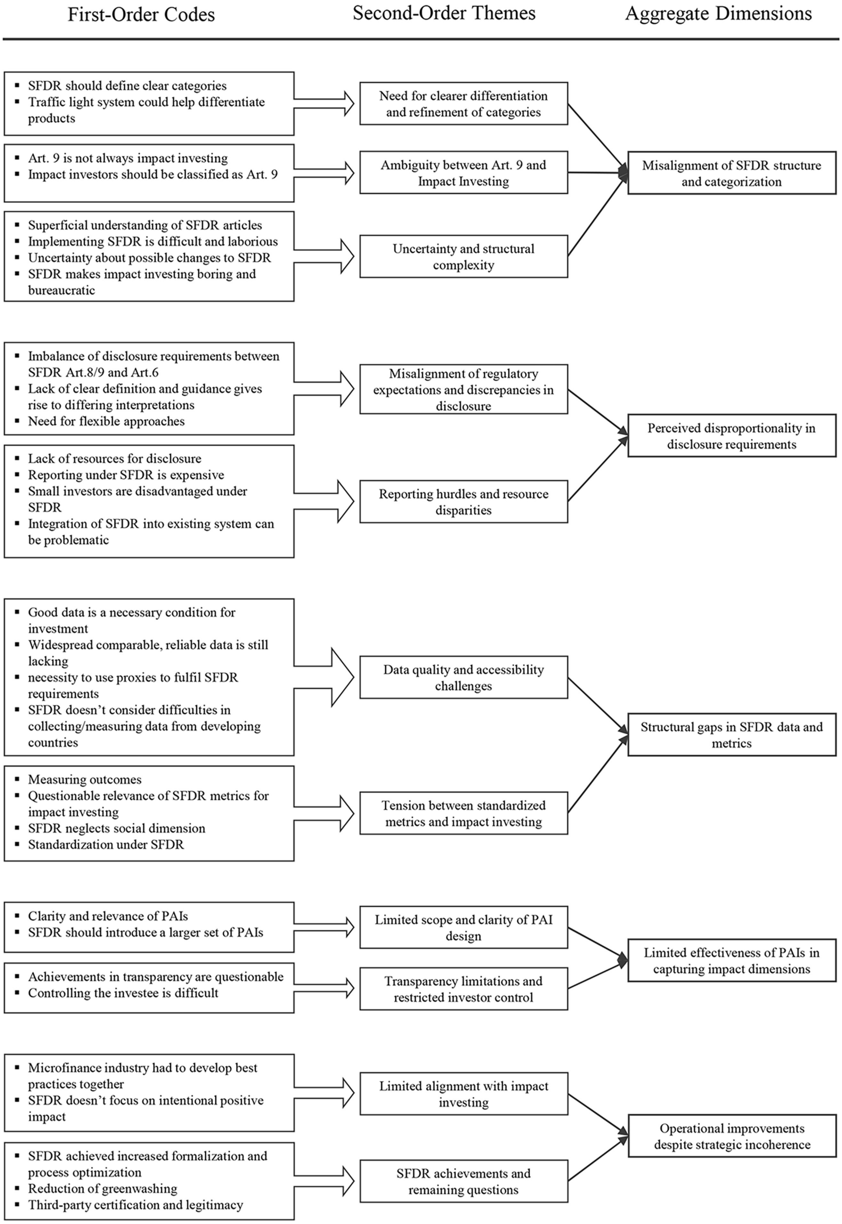

Figure 1. Data structure
Source: Authors' own work

illustrating the recurrent patterns in which impact investors interpret regulatory requirements, and navigate implementation challenges.

In a final stage, second-order themes were synthesized into aggregate dimensions that connect empirical patterns with conceptual insights and existing literature. Informed by prior research on key focus areas of the SFDR, related second-order themes were combined and abstracted through iterative comparison and theoretical reflection to reflect interviewee sentiments. Five aggregate dimensions resulted from this process: *misalignment of SFDR structure and categorization*, *perceived disproportionality in disclosure requirements*, *structural gaps in SFDR data and metrics*, *limited effectiveness of PAIs in capturing impact dimensions* and *operational improvements despite strategic incoherence*.

Consistent with our sensemaking lens, we adopt an interpretive approach to examine how impact investors engage with and respond to the SFDR in the course of their regulatory compliance efforts. This approach focuses on understanding "what SFDR is doing in practice" rather than prescribing "what it should do". By identifying how investors extract cues from regulatory requirements, apply interpretive frames, construct meaning, and adjust their compliance efforts, we uncover how the SFDR is interpreted and operationalized in day-to-day investment activities. In doing so, we capture how regulatory phenomena emerge from what Chia (2000, p. 517) describes as the "undifferentiated flux of raw experience", as impact investors navigate institutional demand.

4. Findings

The data analysis resulted in five aggregate dimensions that capture how impact investors interpret and make sense of the SFDR in practice: *misalignment of SFDR structure and categorization*, *perceived disproportionality in disclosure requirements*, *structural gaps in SFDR data and metrics*, *limited effectiveness of PAIs in capturing impact dimensions*, and *operational improvements despite strategic incoherence*. This chapter presents these dimensions in detail, highlighting the phenomena that emerge as impact investors engage with the SFDR.

4.1 Misalignment of sustainable finance disclosure regulation structure and categorization

Several interviewees, particularly those from large impact investing organizations identified structural deficiencies within the regulation, arguing that its provisions and product categories remain too vague, and were therefore leading to inconsistent interpretations in practice. They argued that SFDR categories need more differentiation and refinement. Art. 6, 8 and 9, categories originally intended to signal different levels of sustainability-related disclosure, were currently used as *de facto* product labels and categories, a use not foreseen in the design of the regulation. As Interviewee 7 observed, "SFDR wasn't meant to be categorizing funds based on Art". and proposes "maybe do establish some categories and so funds can categorize themselves". To address this ambiguity, respondents called for more differentiated and purpose-aligned classifications, including clearer regulatory guidance. Some proposed the introduction of a traffic light system to help differentiate between product categories. Others suggested the creation of a third transitionary category between Art. 8 and Art. 9 that could cover companies and products in the midst of a transition towards Art. 9. Interviewee 1 illustrated this view: "I have an ESG category with just a bit of exclusion criteria, then I have impact companies that are linked to purpose and then I have something in between, a transition category".

Across the interviews, impact investors expressed a perceived misalignment between Art. 9 and impact investing, a view most clearly articulated by large impact investors. Most of them criticized the openness of Art. 9 to funds that claim to pursue impact objectives but do not fulfil impact investing criteria. Interviewee 2 argued, “many [products] are Art. 9 and only have a simple focus on ESG investments or somehow topic-related, but not necessarily impact investing”. This shows a lack of delineation within the regulation between different sustainable investment practices. Since Art. 9 is not built specifically for impact investments, but for products with sustainable investment objectives, a market-wide misunderstanding of Art. 9 products generating impact can have detrimental consequences. This sentiment was shared by Interviewee 6 stating “some of those SFDR 9 funds are not impactful […] and investors […] just find themselves pouring money into some greenwashing”.

Interviewees also struggled with the uncertainty and structural complexity during the implementation of the SFDR. They found that this process is difficult to undertake and criticize the difficulty of adhering to the demands set by SFDR. Interviewee 12 described the additional work necessary to fulfil SFDR requirements as “a second layer of paperwork that we have to go through”. Speaking for the whole industry, Interviewee 3 remarked “we need to just be patient […] until we’ve solved all these practical questions”. This showed how the impact investing community continues to struggle with the amount of work the SFDR brings. This is especially true for “impact funds that are playing at a smaller level as they have different requirements to larger players” (Interviewee 3). Our study also shows the growing disillusionment of impact investors with the SFDR’s provision restricting their ability to advertise and promote their product. Furthermore, the emergent nature of the regulation prompted FMPs to expect major future changes which could undo any prior efforts made to conform to the SFDR. Interviewee 13 thus theorized “we’re kind of the first movers on this but don’t get the benefits from the regulation if things are then switched around again”.

Notably, impact investors directed consistent criticism towards the structural setup and the lack of clear product categorization of the SFDR. This concern reflects how impact investors interpret and navigate the regulation in practice and align their investment strategies with Art. 7, 8 or 9 requirements. This phenomenon suggests that to conform with the SFDR, many impact investors experience a gap between the stated objectives of the regulation and the practical challenges of applying it to impact investment practices.

4.2 Perceived disproportionality in disclosure requirements

For impact investors, both the formulation of the disclosure requirements, as well as their application display critical detachment from their investment reality. This misalignment of regulatory expectations with the needs of impact investors is displayed by Interviewee 2 who complained “the reporting requirements are unevenly distributed across Art. 8 and 9 and then Art. 6 […] why should a fund that is sustainable have to do more reporting than one that is not?” Impact investors thus desired a “level playing field” (Interviewee 10). This imbalance is worsened by the lack of clear definitions and the resulting diverging interpretations in the market. Interviewee 8 stated “if you don’t give a proper definition of what biodiversity-sensitive areas actually are, then everyone can interpret it as they like”. Impact investors argued for more flexibility and personalization options in the implementation of the SFDR. Interviewee 3 elaborated “in the private market, you have large funds, first time funds, funds investing in private equity, private debt, emerging market, Europe and small ticket VCs. This implies different ways of […] implementing these principles”.

At a practical level, several interviewees, particularly small microfinance investors, described SFDR compliance as a considerable reporting hurdle given their limited internal resources. Interviewee 11 framed it as “we are being asked by our regulator also to declare as Art. 9, but we […] said that we will not be reporting on the PAIs because […] we don’t have the resources”. In support of that, Interviewee 8 remarked “all this reporting naturally also has its costs, and then impact investing […] becomes even less financially attractive than some standard fund that doesn't have to report anything".

In complying with the SFDR, impact investors are reported feeling a consistent disadvantage due to their ambitious sustainability objectives and comparatively smaller organizational size. These challenges were not only operational but also financial. Although the SFDR applies the same disclosure requirements to all FMPs with similar sustainability ambition levels, our findings suggest that the ability for all entities to comply varies significantly depending on their own organizational characteristics. We highlight that, in opposition to its original intent of comparability among FMPs, the SFDR has contributed to a skewness between impact investors and other usually larger investors.

4.3 Structural gaps in sustainable finance disclosure regulation data and metrics

Impact measurement is a prominent feature of impact investing. The data requirements introduced by the SFDR are therefore extremely relevant for impact investors. Our findings indicate that impact investors struggled with data quality and accessibility when implementing the SFDR. Interviewees reported that the specific metrics that the SFDR requires, such as the PAI indicators or the environmental metrics (e.g. Greenhouse Gas emissions and biodiversity areas) demanded highly granular data that are often difficult to obtain due to limited public availability, and insufficient sustainability reporting infrastructure that can support compliance reporting. These constraints partly stem from the specialized nature of impact investing and the limited commercial incentives for software providers to build and develop tailored reporting systems for this investment segment (Interviewee 10). As Interviewee 9 observed, "I think we are still a long way from getting reliable data on a global basis".

The absence of standardized impact data together with the highly context-specific character of many impact indicators often forced impact investors to use proxies to meet SFDR requirements. This practice, however, undermined comparability across financial products. As Investor 4 noted, "the numbers were impossible to compare […]. and even funds that invest in the same organiation, that use the same proxy data came up with different results". These issues are particularly relevant for investors active in developing countries. From the perspective of impact investors, the SFDR insufficiently accounts for the structural difficulties associated with collecting and measuring data originating from such economies. Interviewee 11 complained in those terms: "I don't think that the SFDR is very much attuned to the reality of developing countries".

Beyond the practical challenges associated with the implementation of SFDR metrics, impact investors also questioned their conceptual relevance and applicability. This concern was particularly salient among small microfinance investors, whose portfolios often include niche or specialized investment cases and exposure to developing and emerging economies. Interviewee 8 remarked "we can only measure output, not outcome". This view is shared by Interviewee 13 who asked "sometimes it feels like, are you measuring the right things?" Another criticism that participants levied against the regulation's metrics is that the SFDR neglects the social dimension of sustainable and impact investments. Interviewee 5 explained "I understood through time that it was not designed for the social aspect of impact investing".

From the perspective of an impact investor, the SFDR did not appear to meaningfully improve data availability and accessibility. The disclosure requirements may even weaken comparability within the impact investing sector, as the widespread reliance on proxy data substitutes for unavailable or inaccessible primary data. Rather than fostering disclosure standardization, this phenomenon introduced additional heterogeneity in measurement practices, pointing to a structural misalignment between the regulatory architecture of the SFDR and the operational realities of impact investing, including its distinctive contexts and conditions.

4.4 Limited effectiveness of principal adverse impactss in capturing impact dimensions

Gathering the information necessary to adhere to the SFDR as well as integrating the PAIs into the reporting system can be difficult for impact investors. Across this study, participants criticized the limited scope and clarity of PAIs indicating their wishes to change the way in which these were disclosed. Interviewee 9 stated that "there are PAIs that only make sense at the end customer level" insinuating that the point of observation between different PAIs varies based on the investing entity. Questioning the usefulness of the PAI information in specific impact contexts, Interviewee 2 argued "the SFDR is not necessarily geared towards microfinance […] the PAI […] are of course not at all suitable for our approach". Thus, participants argue for a larger range of PAIs to allow for a more nuanced disclosure on the actual activities of investors.

Several small investors also doubted the effectiveness of the PAI disclosures in improving market transparency which is one of the regulation's core objectives. Interviewee 2 observed "although people believe that it brings so much transparency, it is not actually demanded that often". Furthermore, Interviewee 4 questioned the relevance of the PAI statement for retail investors, saying "the common investors are not going to read it". Even though an impact investor might agree with the provisions of the regulation, convincing their investees to report on PAIs and risks that do not apply to them remains challenging. Interviewee 7 echoed this by stating "you can be putting KPI's in the term sheets […], but there's a point in which you're not going to have any control and there's nothing you can do about it".

While interviewees did not question the general importance of disclosing negative impacts, they emphasized that the standardized PAI indicators failed to capture the impact dimensions most central to their investment strategies. Such disclosures were perceived as offering limited information for impact investment valuation and for meaningful comparison among impact investing entities.

4.5 Operational improvements despite strategic incoherence

While impact investors acknowledged the positive effects the SFDR has had in standardizing certain disclosures and definitions, they nevertheless perceived a stark strategic misalignment with their own needs and goals. This view was held especially by advisors and fund managers. Interviewee 16 summarized this tension in saying that "it complicates making impactful investments, as smaller companies cannot comply and are then excluded". Similarly, Interviewee 6 highlights the continued reliance on interpretive work, saying the SFDR "does not go deep enough so investors still need to make judgment calls in many instances" Most significantly, interviewees emphasized that the regulation failed to incorporate positive impact-generating practices into its provisions. As Interviewee 13 remarked "SFDR is more focused on reducing negative impacts. And in impact investing, we're mostly looking at creating positive impacts". Interviewee 14 also observed that "SFDR deals with sustainability, and sustainability is not exactly impact". Several impact investors engaged in collective initiatives to develop shared approaches to applying the SFDR. As Interviewee 4 explained, they "came up with a way how to deal with things on our group basis" to "create a unified position that we could support and defend" (Interviewee 9). These collaborative efforts reportedly led to "improvements in comparability" (Interviewee 8) that would otherwise not have been achieved alone. Noticeably, large impact investors also highlighted some achievements of the regulation in process formalization and greenwashing reduction (Interviewee 2, 3 and 6). Yet impact investors across sizes and investment foci held the view that the SFDR's compatibility with their own impact investing needs was limited. Interviewee 10 emphasized the need for greater opportunities within the regulatory framework for impact investors to articulate and demonstrate their distinctive strategic orientation.

Interviewees interpreted the regulation as primarily oriented towards the disclosure of adverse impacts, whereas their organisational identity was rooted in the generation of positive social and environmental impact. This divergence created a sense of strategic incoherence, as the regulation was offering limited substantive support to their core business goals.

5. Discussion

This study contributes to research on the effectiveness of the SFDR as a regulatory intervention in sustainable finance by examining how impact investors interpret and operationalize the regulation in practice. While the SFDR has increased regulatory attention to sustainability disclosure and contributed to the harmonization of reporting practices, our findings show that impact investors perceive only limited support from the regulation in pursuing their impact-generating goals. Impact investors do not perceive the SFDR as irrelevant. Rather, they view it as insufficiently aligned with the operational and conceptual logic of impact-generating investment. Our analysis identifies five key phenomena that characterize impact investors' engagement with the SFDR.

5.1 Conceptual implications: regulatory-practice misalignment

Our findings reveal a structural misalignment between the regulatory logic embedded in the SFDR and the practical logic guiding impact investors. Drawing on Burrell and Morgan's (1979) paradigmatic framework, the SFDR can be understood as reflecting a normative–functionalist orientation. It assumes that harmonized classifications, disclosures and comparable sustainability indicators can guide market actors towards more sustainable economic activity. This orientation is consistent with the broader policy objective of improving transparency, comparability and accountability in financial markets.

Impact investing practice, however, often follows a more interpretive and context-specific logic. Interviewees describe investment decisions as being shaped by sectoral knowledge, engagement with investees and situated understandings of social and environmental impacts (often guided by the pursuit of radical change). For many impact investors, impact does not reduce itself to a simple sustainability characteristic in a portfolio. It is the result of intentional strategies, investor contribution and a plausible causal link between investment activity and real-world change. This creates a tension between the SFDR's disclosure-based approach and the more process-oriented nature of impact-generating investing.

We conceptualize this tension as regulatory-practice misalignment. By this, we mean the divergence between the foundational assumptions embedded in a regulatory framework and the interpretive practices through which an organization makes sense of and operationalizes a regulation in a specific context. In the case of SFDR, this misalignment is visible in how impact investors interpret the regulation as simultaneously useful for market transparency and insufficiently responsive to the mechanisms through which they seek to generate impact.

This conceptualization helps explain why impact investors often experience the SFDR as prescriptive rather than enabling. This finding supports process-oriented governance perspectives, which suggest that sustainability transformations require regulatory frameworks that are not only standardized, but also sufficiently flexible to accommodate more nuanced, reflexive, context-specific, therefore sophisticated investing practices (Sievers-Glotzbach and Tschersich, 2019).

5.2 Dimensions of regulatory-practice misalignment

5.2.1 Misalignment of sustainable finance disclosure regulation structure and categorization. Interviewees perceived a misalignment between the SFDR product structure and the categories used in impact investment practice. This finding corroborates Scheitza and Busch (2024) who find that Art. 9 funds do not only encompass impact funds, and impact funds do not always categorize as Art. 9. This misalignment is also theorized to cause significant confusion for institutional and retail investors (Bour and Smialowski, 2024). Furthermore, current SFDR structure does not facilitate the distinction between sustainable investments and transition investments (Vandeloise, 2024). As a result, the current structure of the EU regulation is insufficient for mapping impact investments and is not able to facilitate the needs of impact investors.

Although not initially created as such, the SFDR has become a categorization system in practice (Ramos Muñoz *et al.*, 2024). This study agrees with Partiti (2024) in demanding clarification and consolidation of the SFDR Art. to improve the marketability of sustainable financial products. Their ideas on how the categories should be adjusted, vary. Some impact investors suggest mixing Art. 8 and 9 to create a category "Art. 8 +" between Art. 8 and 9 while others envision a closer alignment to more practice-oriented product types, namely, ESG, impact and transition categories. A similar proposal is made by the ESAs (2024) who share that a transition category could help ease the uncertainty between Art. 8 and Art. 9 products. The current structure therefore does not clearly distinguish between sustainable, transition and impact-generating investments. This creates uncertainty for investors and limits the ability of impact investors to communicate the specific nature of their strategies.

5.2.2 Perceived disproportionality in disclosure requirements. Impact investors experienced the SFDR disclosure requirements as disproportionate. Several interviewees argued that the regulatory burden associated with Art. 8 and Art. 9 disclosures is considerably higher than for Art. 6 products. Partiti (2024) discusses this competitive imbalance, describing how the disclosure for Art. 6 products is significantly cheaper and easier than for outright sustainable products. Our study underscores this observation and shows that the significant capital commitments associated with Art. 9 disclosure often negatively affect the financial situation of impact investors which hinders their ability to compete on equal terms with non-impact investors. In this regard the SFDR does not offer support to impact investors but contributes to competitive imbalances.

Thus, to mitigate the unfair "playing field" between Art. 6 and Art. 8 or Art. 9 products, this study advocates for a minimum set of indicators for all FMPs subject to SFDR. Art. 8 and Art. 9 products should then be subject to supplementary disclosures based on their own sustainable objective. Being able to compare indicators across markets and industries would ensure more transparent decision-making by investors who would be less prone to unknowingly support impact washing practices due to the nature of the information they are presented. Sharing the recommendations by Cardoso and Hoeven (2025), we propose the revision of the SFDR to remove the disadvantages faced by impact-generating product providers. By rebalancing the requirements to achieve proportionality with less sustainability ambitious providers, the SFDR could be moved closer to its objective of creating transparent and comparable financial markets.

5.2.3 Structural gaps in sustainable finance disclosure regulation data and metrics. Our research suggests that the SFDR has not helped impact investors to attain more high-quality data for their investments. Rather, its inflexible demand for certain metrics has led to the increased disclosure of proxies with questionable usability for impact investors. Especially, metrics for developing economies and social investments are lacking, which affects impact investors disproportionately, since they are often active in these areas. Thus, the SFDR's provisions on metrics stand in diametrical contrast to its objective of fostering stronger comparability across financial markets.

To circumvent these metric issues, our study proposes the usage of best practice approaches in place of complex and difficult-to-measure metrics. We argue that this would allow a more faithful representation of achieved impacts as investors could articulate and demonstrate the way in which they achieve an impact rather than trying to measure it directly. Furthermore, impact investors advocate for less standardized metrics in favour of a stronger individualization agenda. Deploying a limited set of generalized indicators for all FMPs might create comparability across some of them but does not adequately represent the nuance of impact investments and other specialized financing solutions.

5.2.4 Limited effectiveness of principal adverse impacts in capturing impact dimensions. This phenomenon indicates the lack of alignment between the SFDR-mandated PAIs and the need of impact investors to attain impact metrics. Our research finds that current indicators are not designed to reflect the issues that are important in the impact sectors. As impact investments usually target start-ups, small enterprises or individuals in the case of microfinance, the SFDR is wholly unsuited to provide any guidance on how PAIs should be measured for these investment cases.

Our study proposes increasing the size of the range of PAI indicators to choose from, especially in terms of social metrics. Having more tailored metrics to choose from would undoubtedly allow for more transparent disclosure of business activities, investment impacts and outcomes. Cardoso and Hoeven (2025) share the need to enhance the deployment of the PAIs. We advocate for a mandatory disclosure of a minimum selection of indicators to increase the PAI statements' usability. This is in line with Islam (2022) who underline the importance of accurately measuring investments for impact investors. Increasing the set of possible indicators, could actively contribute to a more effective measurement practice among impact investors. Although a larger set of indicators would reduce the comparability of investments, the widespread deployment of proxy data for these metrics currently does not have the informative value that is intended by the regulation.

5.2.5 Operational improvements despite strategic incoherence. While impact investments' core objective is the creation of intentional positive impact, the SFDR is focused on reducing negative impacts. It is unable to accommodate the disclosure of more fitting information that could portray the achievements of impact investors which prompts such investors to engage in industry working groups to harmonize approaches and achieve a level of transparency and comparability that the SFDR is currently unable to create. Despite strides in standardization and greenwashing reduction, impact investors as well as Cochran *et al.* (2025) and Bodellini (2023) criticize the incomplete guidance on certain definitions used within the regulation. The SFDR thus protects impact investing from impact imposters but is not able to actively promote good impact-generating practices (Busch *et al.*, 2021).

The value and achievements of impact investors could be much better conveyed if the regulation would facilitate such disclosure. We plead for the possibility within the SFDR to disclose certain qualitative information. Drawing on Islam (2022), who states that optimal decision-making is dependent on a balanced mix of quantitative and qualitative data, we conclude that an exception to the quantitative nature of the SFDR could materially improve the ability of impact investors to communicate their achievements. This would help make the industry more transparent and comparable as there would be more relevant information available through the SFDR disclosure.

This study shows that the EU's SFDR provides only limited support for impact-generating investors. Rather than addressing the distinctive features of impact investing, the regulation targets sustainable investment practices more broadly. This nuances prior work suggesting that the SFDR can effectively contribute to directing capital flows towards environmentally sustainable activities (Boni and Scheitza, 2025; Becker *et al.*, 2022; Ferriani, 2024). While the regulation is designed to improve transparency, reduce greenwashing and standardize reporting processes, the impact investors who we interviewed do not perceive SFDR compliance as creating substantial value for their investment practices. The general concern is not that the SFDR is irrelevant to impact investors but that its categories, disclosure and measurement requirements are poorly aligned with the logic of impact-generating investing. Investors who intentionally want to contribute to positive social and environmental outcomes that generate real-world impact, in a significant way, seek more than to avoid harm or align their portfolios with sustainability characteristics (Busch *et al.*, 2021; Ramos Muñoz *et al.*, 2024). As financial product providers have adopted the SFDR as a labelling regime, while it was only conceived to promote the flow of additional capital into sustainable investments, we theorize a stark misalignment of regulatory objectives and implementation. This misalignment is particularly visible in relation to measurement and disclosure. Impact investors emphasize the need to articulate and demonstrate the causal link between an investment and an achieved impact, including through theory of change or additionality (Busch *et al.*, 2021). This shows the limits of the current regulatory framework to sufficiently differentiate between different sustainable investing forms, including ESG integration, sustainability alignment, transition finance and impact-generating investment. For impact investors, this lack of differentiation creates disclosure burdens without improving the credibility, comparability or effectiveness of impact-related claims.

We therefore argue that the SFDR, in its current form, is not sufficiently targeted to mobilize capital effectively across the diverse investment strategies required for sustainable development. Significant adjustment is therefore necessary if the SFDR is to go beyond general sustainability disclosure and become a regulatory framework that can recognize, differentiate and support multitude approaches through which financial markets may contribute to sustainable development.

5.3 Regulatory developments and sustainable finance disclosure regulation 2.0

Following the European Commission public consultations on the implementation of the SFDR, launched in September 2023, a wide range of stakeholders, including impact investors, called for changes to the existing framework. In November 2025, the Commission published a legislative proposal to amend the SFDR, often referred to as "SFDR 2.0". Although the legislative process has not yet concluded, the review debate is highly relevant to this study because it exposes a central tension in the current regime: whether sustainability disclosure regulation can adequately distinguish between investments that are impact-aligned and those that are genuinely impact-generating (Busch *et al.*, 2022).

Firstly, the scope of the ongoing review and simplification of the SFDR supports the central premise of this Art., which is that the existing regulation has not fully captured the diversity of sustainability-related investment practices and has provided limited regulatory recognition of impact-generating investment strategies. The Commission's proposal to amend the SFDR is therefore relevant because several of the proposed changes address regulatory tensions identified in the findings of this study.

While the proposal more broadly recasts the SFDR as a product categorization framework, its most relevant development for this study is the explicit recognition of impact investing (European Commission, 2025a, Art. 1(b)). Whereas the original SFDR did not refer to "impact" products, the 2025 proposal acknowledges impact investing and seeks to define the conditions under which the term "impact" may be used (European Commission, 2025a, p. 26). It explicitly defines a "sustainability-related financial product with impact" as one that has as its objective "the generation of a pre-defined, positive and measurable social or environmental impact" (European Commission, 2025a, Art. 2(26)) and recognizes "intentionality" and "measurable change" as the unique properties of impact investing. Under to Art. 7(4) and 9(4), such products must disclose the intended environmental or social impact, the underlying impact theory; and the provisions to measure, manage and report on the desired impact including the contribution of both the financial product and its investors (European Commission, 2025a). These requirements are closely aligned with the concerns raised by the impact investors we interviewed, who emphasized that the original SFDR did not adequately recognize the specific mechanisms through which impact-generating investments seek to produce real-world change. The proposal also addresses the burden and limited applicability of certain entity-level disclosures, particularly those related to PAIs and remuneration policies. While our study argues for the extension of the range of available PAIs to accommodate for a broader diversity of investment practices, the commission recommends the deletion of these requirements (European Commission, 2025a, p. 10).

Despite these developments, several concerns identified in this study remain relevant under the SFDR 2.0 proposal. Although the commission acknowledges the reporting burden placed on smaller actors, the proposed categorization system would introduce new disclosure processes that still need to be interpreted and operationalized into existing reporting practices. For instance, the possibility of classifying "sustainability-related financial products with impact" under either Art. 7 or Art. 9 may provide greater flexibility, but it also creates additional categorical complexity (European Commission, 2025a, Art. 2(26)).

More importantly, the introduction of impact investing as a type of sustainable investment under the proposal does not fully resolve the conceptual issues at the centre of this study. While the SFDR 2.0 proposal integrates intentionality and measurability for impact investors it does not address questions of causal impact, investor contribution, additionality and counterfactual reasoning in favour of reporting the intended impact. The accompanying commission staff working document impact assessment report argues that the "relatively small scale and recent character" of impact investing within the broader context of ESG investing does not justify a dedicated impact product category within the SFDR (European Commission, 2025b, p. 122). From the perspective of impact-generating investors, this leaves a central problem unresolved: the SFDR 2.0 proposal recognizes impact investing as a relevant practice, but does not fully engage with the mechanisms through which investors claim to generate real-world change.

The proposal represents an important step towards recognizing impact investing within the EU sustainable finance regulatory framework. Yet, this recognition remains partial. SFDR 2.0 introduces impact-related language and disclosure requirements, but it does not sufficiently engage with the distinctive architecture of impact-generating investment strategies, particularly the role of intentionality, investor contribution, additionality, and causal pathways to impact.

Against these remaining shortcomings in SFDR 2.0, this study contributes to the literature on the SFDR and the broader sustainable finance regulatory framework, including Cardoso and Hoeven (2025), Partiti (2024), Quirici, 2023 and the ESAs (2024), by developing policy recommendations from the perspective of impact investors. We support the direction of the SFDR 2.0 proposal, but argue that it requires further refinement if it is to support impact-generating investment more effectively. In particular, the framework should allow the disclosure of positive impact indicators, broaden the range of relevant PAI indicators, and clarify the impact product categories in line with the distinction between impact-aligned and impact-generating investments proposed by Busch *et al.* (2022). Such amendments would improve the SFDR's effectiveness as a regulatory framework for impact-generating investing. Impact investors could not only better differentiate their financial products from those of other FMPs in the sustainable finance realm but also identify and support investment practices that intentionally contribute to real-world changes, redirecting capital flows towards sustainable development effectively.

5.4 Limitations

We use a qualitative research approach that consists of 19 semi-structured interviews. While generalizability was not the aim of this study, some limitations of our methodology have to be acknowledged.

The selection of our sample was not entirely random but based on the availability of impact experts and their referral to additional colleagues (snowball sampling). While this was necessary due to the unavailability of consolidated lists or databases of such experts, it may have given rise to two sources of bias.

Firstly, the sampling might suffer from self-selection bias whereby those impact investors with especially strong, often negative views are more likely to agree to participate than individuals with more neutral or positive perspectives (Bryman, 2016). Participants may have been motivated to take part because they were dissatisfied with the SFDR and perceived the interview as an opportunity to voice their concerns. As a result, the data may overrepresent critical viewpoints, while underrepresenting those who were less motivated to respond. Although this does not undermine the value of the insights gathered, it does mean that the findings should be interpreted as reflecting the perspectives of particularly engaged or affected experts and not as generalized or representative findings for the entire impact investor community.

Secondly, snowball sampling is normally used as a method to augment previous random sampling methods. As this is not the case in our study, potential biases within the initial non-random sample might be magnified through the snowball sampling. Interviewees may only recommend contacts that share similar views or characteristics. Thus, the possibility of sampling biases has to be acknowledged.

Another possible issue is the low response rate to interview requests. Interviewing more impact investors from a larger spread of EU countries or more varied organizational types might have provided a more comprehensive overview of the investor's opinions and experiences. Furthermore, it would have allowed for stronger pattern recognition and grouping of the interviewees.

Further, the exclusion of some EU or Schengen jurisdictions for the selection of interview participants based on our purposive sampling method may also present a limitation of this study. By omitting certain jurisdictions, some insights might have been missed that could have amended, validated or refuted the findings of this study. During data collection, the researchers might have been prone to leading questions which may obscure the interviewees response to a certain topic. While an effort was made to bypass leading questions, the semi-structured nature of the interviews and the resulting need for spontaneity could have facilitated their occurrence. The large number of quotes and their necessary synthesis during data analysis may also pose methodological challenges. The inductive approach of qualitative research requires the synthesis of large amounts of data into few concepts and categories which can be difficult. Accidental exclusions or omissions are possible which might limit the reliability of the findings.

5.5 Further research

Due to the explorative nature of this research and the relative novelty of our research context, we identify a number of avenues for future research.

A first promising area of research would be to conduct a more comprehensive comparative analysis into the various types of between impact investors and how the SFDR affects them differently. While our study can only provide anecdotal support for the divergent reception of the regulation by impact investors, it shows that especially the entity size and area of investment influence may affect the perception of the regulation. Understanding how these differences shape impact investors could enable the targeted addressing of issues and more tailored regulation.

While EU countries' national supervisory authorities translate the SFDR into national law, it is unclear how this affects the implementation for FMPs. Thus, D. Busch (2023) argues that this national translation decreases the regulation's potential for harmonization. Future studies could study impact investors in different EU contexts to understand in what way the national variations of the SFDR manifest. This would provide a new dimension to the discussion of nuances within impact investing and help alleviate possible ambiguities.

Based on the findings of this research, further studies should be conducted on the possibility of a transitionary category to differentiate sustainable investment products. Previous works by Busch *et al.* (2022, 2021) and Scheitza and Busch (2024) have defined and applied the terms "impact-aligned" and "impact-generating" which should be used as a starting point to differentiate a transitionary impact category. By formulating the conditions of such a category and testing it on actual products, research could contribute to a more complete overview of the range of products that produce an impact.

Following Scherer and Hasaj (2023), we propose future research that analyses the capital inflows not only into Art. 9 funds but into self-identified impact funds specifically. Based on our findings on the distinctness of impact investors, their roles and perspectives, we hypothesize a significant divergence from the authors' findings on Art. 9 funds. Such insights could inform the ongoing calls to adjust and simplify the SFDR so that it better reflects impact investors' needs and contributions to social and environmental transformations. To develop a more comprehensive assessment of the SFDR, further research should also include the perspective of sustainable finance scholars who can evaluate the consistency of the regulation with existing theoretical frameworks. Such research might be able to validate and contextualize empirical evidence and provide a bridge between the SFDR's conceptual foundation and its practical implications.

6. Conclusion

This study set out to explore how the SFDR supports impact investors in achieving their impact-generating goals. Drawing on interviews with European impact investment professionals, we identify a perceived misalignment between the regulatory framework of the SFDR and the practical goals and needs of impact investors. Specifically, impact investors describe five interrelated phenomena that contribute to a perceived competitive and strategic disadvantage for impact-oriented actors. These include the lack of flexibility in metric selection, limited recognition of intentional positive impact, and persistent data availability and accessibility gaps in social sectors and developing markets. Adopting a sensemaking perspective, our findings show that while the SFDR is effective in improving transparency of sustainability information in financial markets more broadly, it also constrains impact investors in their ability to achieve their impact goals through burdensome disclosure and restrictive requirements. In doing so, this study contributes to the growing literature assessing the effectiveness of the SFDR in advancing sustainable finance (Cremasco and Boni, 2024; Hoepner *et al.*, 2025; Scheitza and Busch, 2024). At the same time, we extend research on sensemaking processes by showing how regulatory frameworks become subject to interpretation and enactment, how these processes are shaped by distinct empirical phenomena (Chia, 2000) and how they influence perceptions of regulatory effectiveness.

We derive several policy recommendations aimed at improving the support of the SFDR to impact investing practice. These include expanding and refining the range of PAI indicators, allowing for greater flexibility in metric selection, qualitative impact reporting and information infrastructure and more explicitly, in embedding the concept of intentional positive impact within the regulatory framework to reflect the operational goals of impact investors. Sustainable finance and impact investing in particular are a core factor in facilitating fast and effective action to achieve sustainable development (Busch *et al.*, 2016). Our study shows the shortcomings of the SFDR and proposes a number of adjustments to align it more closely with operational practices of impact investors. Improvements to the SFDR – as a key piece of regulation concerning sustainable finance – could significantly contribute to the transformation of financial markets towards sustainable development.

Acknowledgements

The research was conducted in accordance with the principles of integrity, transparency and respect for participants, aligning with the ethical standards outlined by the committee on publication ethics and Emerald Publishing's research and publishing ethics policies. The authors confirm that the work is original, has not been submitted elsewhere, and adheres to all relevant guidelines for ethical research practice.

Ethics statement

This study involved semi-structured interviews with participants who were fully informed of the research intent, objectives and the voluntary nature of their participation. While formal ethics board review was not obtained, all participants provided verbal or written informed consent prior to their involvement. Participants were assured of the anonymization of their personal details and the confidential handling of their responses. No identifying information was collected, and all data were stored securely to protect participant privacy.

References

Abouarab, R., Mishra, T. and Wolfe, S. (2025), "Does the EU sustainable finance disclosure regulation mitigate greenwashing?", *The European Journal of Finance*, *Routledge*, Vol. 31 No. 8, pp. 957-989, doi: 10.1080/1351847X.2025.2457944.

Adams, C.A. (2017), "The sustainable development goals, integrated thinking and the integrated report", IIRC and ICAS, available at: https://incp.org.co/Site/publicaciones/info/archivos/new-approach.pdf

Adams, W.C. (2015), "Conducting semi-structured interviews", *Handbook of Practical Program Evaluation*, John Wiley & Sons, pp. 492-505, doi: 10.1002/9781119171386.ch19.

Agrawal, A. and Hockerts, K. (2019), "Impact investing strategy: managing conflicts between impact investor and investee social enterprise", *Sustainability*, Vol. 11 No. 15, p. 4117, doi: 10.3390/su11154117.

Agrawal, A. and Hockerts, K. (2021), "Impact investing: review and research agenda", *Journal of Small Business and Entrepreneurship*, Vol. 33 No. 2, pp. 153-181, doi: 10.1080/08276331.2018.1551457.

Alessi, L., Alemanni, B. and Frati, G. (2022), "Financial regulation for sustainable finance in the european landscape", in Linciano, N., Soccorso, P. and Guagliano, C. (Eds), *Information as a*

Driver of Sustainable Finance, Springer International Publishing, Cham, pp. 207-242, doi: 10.1007/978-3-030-93768-3_8.

Becker, M.G., Martin, F. and Walter, A. (2022), "The power of ESG transparency: the effect of the new SFDR sustainability labels on mutual funds and individual investors", *Finance Research Letters*, Vol. 47, p. 102708, doi: 10.1016/j.frl.2022.102708.

Bengo, I., Boni, L. and Sancino, A. (2022), "EU financial regulations and social impact measurement practices: a comprehensive framework on finance for sustainable development", *Corporate Social Responsibility and Environmental Management*, Vol. 29 No. 4, pp. 809-819, doi: 10.1002/csr.2235.

BIII (2022), "BIII marktstudie impact investing in deutschland", Bundesinitiative Impact Investing, available at: https://bundesinitiative-impact-investing.org/wp-content/uploads/2023/05/BIII-Marktstudie_Impact-Investing-in-Deutschland-2022_single-pages-1.pdf (accessed 13 June 2025).

Birindelli, G., Chiappini, H. and Jalal, R.N.-U.-D. (2023), "SFDR, investor attention, and european financial markets", *Finance Research Letters*, Vol. 56, p. 104135, doi: 10.1016/j.frl.2023.104135.

Block, J.H., Hirschmann, M. and Fisch, C. (2021), "Which criteria matter when impact investors screen social enterprises?", *Journal of Corporate Finance*, Vol. 66, p. 101813, doi: 10.1016/j.jcorpfin.2020.101813.

Bodellini, M. (2023), "Greenwashing and the misapplication of art. 8 and 9 of the sustainable finance disclosure regulation", *ERA Forum*, Vol. 24 No. 1, pp. 27-42, doi: 10.1007/s12027-023-00739-8.

Boni, L. and Scheitza, L. (2025), "Analyzing the role of regulation in shaping private finance for sustainability in the European Union", *Finance Research Letters*, Vol. 71, p. 106435, doi: 10.1016/j.frl.2024.106435.

Bosurgi, R., Prior, C., Giovine, E., Weber, J.P., Sapy, P., van den Bosch, F., Boyle, K., Wessemius-Chibrac, L., Montesi, F. and Ruiz de Munain, J.L. (2023), "Letter to European Commission on SFDR - how can SFDR support Europe's impact investing ecosystem to reach UN SDG goals and EU's Just Transition?", *Impact Europe Blog*, available at: www.impacteurope.net/sites/www.evpa.ngo/files/documents/Joint-letter-how-to-tailor-SFDR-to-impact.pdf

Bour, J. and Smialowski, S. (2024), "The case for impact: enhancing EU's SFDR framework", Impact Europe Brief, available at: www.impacteurope.net/insights/case-impact-enhancing-eus-sfdr-framework (accessed 30 May 2025).

Bryman, A. (2016), *Social Research Methods*, 5th ed. Oxford University Press,

Bugg-Levine, A. and Emerson, J. (2011), "Impact investing: transforming how we make money while making a difference", *Innovations: Technology, Governance, Globalization*, Vol. 6 No. 3, pp. 9-18, doi: 10.1162/INOV_a_00077.

Burrell, G. and Morgan, G. (1979), "*Sociological Paradigms and Organisational Analysis: Elements of the Sociology of Corporate Life*", Routledge, London, doi: 10.4324/9781315242804.

Busch, D. (2023), "EU sustainable finance disclosure regulation", *Capital Markets Law Journal*, Vol. 18 No. 3, pp. 303-328, doi: 10.1093/cmlj/kmad005.

Busch, T., Bauer, R. and Orlitzky, M. (2016), "Sustainable development and financial markets: old paths and new avenues", *Business and Society*, Vol. 55 No. 3, pp. 303-329, doi: 10.1177/0007650315570701.

Busch, T., Bruce-Clark, P., Derwall, J., Eccles, R., Hebb, T., Hoepner, A., Klein, C., Krueger, P., Paetzold, F., Scholtens, B. and Weber, O. (2021), "Impact investments: a call for (re)orientation", *SN Business and Economics*, Vol. 1 No. 2, p. 33, doi: 10.1007/s43546-020-00033-6.

Busch, T., Van Hoorn, V., Stapelfeldt, M. and Pruessner, E. (2022), "Classification scheme for sustainable Investments – accelerating the just and sustainable transition of the real economy", *SSRN Electronic Journal*, doi: 10.2139/ssrn.4217864.

Cardoso, T.S. and Hoeven, R. T (2025), "The usefulness of the sustainable finance disclosure Regulation – An explorative study into its shortcomings and challenges", *Maandblad Voor Accountancy En Bedrijfseconomie*, Vol. 99 No. 1, pp. 1-10, doi: 10.5117/mab.99.130094.

Chia, R. (2000), "Discourse analysis as organizational analysis", *Organization*, Vol. 7 No. 3, pp. 513-518, doi: 10.1177/135050840073009.

Cochran, I., Mackenzie, C. and Brander, M. (2025), "EU's sustainable finance disclosure regulation: does the hybrid reporting regime undermine the goal to reorient capital to climate action?", *Climate Policy*, Vol. 25 No. 1, pp. 76-88, doi: 10.1080/14693062.2024.2353115.

Cojoianu, T., Hoepner, A.G.F. and Lin, Y. (2022), "Private market impact investing firms: ownership structure and investment style", *International Review of Financial Analysis*, Vol. 84, p. 102374, doi: 10.1016/j.irfa.2022.102374.

Corbin, J.M. and Strauss, A. (1990), "Grounded theory research: procedures, canons, and evaluative criteria", *Qualitative Sociology*, Vol. 13 No. 1, pp. 3-21, doi: 10.1007/BF00988593.

Cremasco, C. and Boni, L. (2024), "Is the European Union (EU) sustainable finance disclosure regulation (SFDR) effective in shaping sustainability objectives? An analysis of investment funds' behaviour", *Journal of Sustainable Finance and Investment*, Vol. 14 No. 4, pp. 1018-1036, doi: 10.1080/20430795.2022.2124838.

Cristofaro, M. (2022), "Organizational sensemaking: a systematic review and a co-evolutionary model", *European Management Journal*, Vol. 40 No. 3, pp. 393-405, doi: 10.1016/j.emj.2021.07.003.

Dai, J., Ormazabal, G., Penalva, F. and Raney, R.A. (2026), "Mandatory investor disclosure, sustainability commitments, and portfolio decarbonization", *Journal of Accounting and Economics*, Vol. 81 No. 1, doi: 10.1016/j.jacceco.2025.101817.

Emerson, J., Thornley, B. and Clark, C. (2015), "The impact investor", *Stanford Social Innovation Review*, doi: 10.48558/GQMZ-E508.

ESAs (2024), "Joint ESAs opinion on the assessment of the sustainable finance disclosure regulation (SFDR)", available at: www.esma.europa.eu/sites/default/files/2024-06/JC_2024_06_Joint_ESAs_Opinion_on_SFDR.pdf (accessed 12 May 2025).

European Commission (2018), "Communication from the Commission of the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions Action Plan: Financing Sustainable Growth", available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52018DC0097

European Commission (2025a), "Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) and repealing Commission Delegated Regulation (EU) 2022/1288", available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52025PC0841

European Commission (2025b), "COMMISSION STAFF WORKING DOCUMENT IMPACT ASSESSMENT REPORT accompanying the Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) and repealing Commission Delegated Regulation (EU) 2022/1288", available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52025SC0838

European Parliament (2019), "Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on Sustainability-Related Disclosures in the Financial Services Sector", available at: https://eur-lex.europa.eu/legal-content/ENG/LSU/?uri=oj:JOL_2019_317_R_0001

Eurosif (2022), “EU Sustainable Finance & SFDR: making the framework fit for purpose - Eurosif Policy Recommendations for Article 8 & 9 product labels”, available at: www.eurosif.org/wp-content/uploads/2022/06/Eurosif-Report-June-22-SFDR-Policy-Recommendations.pdf

Eurostat and IMF (2024), “Gross domestic product at current market prices of selected European countries in 2023”, Statista, available at: www.statista.com/statistics/685925/gdp-of-european-countries/ (accessed 26 May 2025).

Ferriani, F. (2024), “The importance of labels for sustainable investments: SFDR versus morningstar globes”, *Applied Economics Letters*, Vol. 31 No. 18, pp. 1813-1819, doi: 10.1080/13504851.2023.2208326.

Flammer, C. (2021), “Corporate green bonds”, *Journal of Financial Economics*, Vol. 142 No. 2, pp. 499-516, doi: 10.1016/j.jfineco.2021.01.010.

Gebhardt, M., Schneider, A., Seefloth, M. and Zülch, H. (2024), “Institutional investors’ information needs in the context of the sustainable finance disclosure regulation (EU/2019/2088): the implications for companies’ sustainability reporting”, *Journal of Applied Accounting Research*, Vol. 25 No. 5, pp. 913-942, doi: 10.1108/JAAR-11-2022-0303.

GIIN (2023), *GIINsight – Impact Measurement and Management Practice*, Global Impact Investing Network (GIIN).

GIIN (2024), “State of the market 2024: trends, performance and allocations”, Global Impact Investing Network, available at: https://thegiin.org/publication/research/state-of-the-market-2024-trends-performance-and-allocations/ (accessed 26 May 2025).

GIIN (2025), “State of the market 2025: trends, performance and allocations”, Global Impact Investing Network, available at: https://s3.amazonaws.com/giin-web-assets/giin/assets/publication/giin-stateofthemarket2025.pdf (accessed 9 June 2026).

Gioia, D. (2021), “A systematic methodology for doing qualitative research”, *The Journal of Applied Behavioral Science*, Vol. 57 No. 1, pp. 20-29, doi: 10.1177/0021886320982715.

Gioia, D.A. and Chittipeddi, K. (1991), “Sensemaking and sensegiving in strategic change initiation”, *Strategic Management Journal*, Vol. 12 No. 6, pp. 433-448, doi: 10.1002/smj.4250120604.

Gioia, D.A., Corley, K.G. and Hamilton, A.L. (2013), “Seeking qualitative rigor in inductive research: notes on the gioia methodology”, *Organizational Research Methods*, Vol. 16 No. 1, pp. 15-31, doi: 10.1177/1094428112452151.

Hockerts, K., Hehenberger, L., Schaltegger, S. and Farber, V. (2022), “Defining and conceptualizing impact investing: attractive nuisance or catalyst?”, *Journal of Business Ethics*, Vol. 179 No. 4, pp. 937-950, doi: 10.1007/s10551-022-05157-3.

Hoepner, A.G.F. and Schneider, F.I. (2022), “EU green taxonomy data – a first vendor survey”, *The Economists’ Voice*, Vol. 19 No. 2, pp. 229-242, doi: 10.1515/ev-2022-0022.

Hoepner, A.G.F., Saini, T. and Schneider, F. (2025), “Can SFDR Entity Level Reporting Enhance Sustainability Performance?”, Social Science Research Network, Rochester, New York, NY, available at: https://ssrn.com/abstract=5250818

Impact Database EU (2026), “Impact database EU”, Impact Database, available at: https://impactdatabase.eu/explore/ (accessed 17 October 2025).

Islam, S.M. (2022), “Impact investing in social sector organisations: a systematic review and research agenda”, *Accounting and Finance*, Vol. 62 No. 1, pp. 709-737, doi: 10.1111/acfi.12804.

Jaya, O.S. (2024), “Nexus between impact investing and green finance in driving sustainable development”, *Advances in Applied Accounting Research*, Vol. 2 No. 1, pp. 26-38, doi: 10.60079/aaar.v2i1.229.

Kakilla, C. (2021), “Strengths and weaknesses of semi-structured interviews in qualitative research: a critical essay”, *Social Sciences*, doi: 10.20944/preprints202106.0491.v1.

Kudesia, R.S. (2017), “Organizational sensemaking”, *Oxford Research Encyclopedia of Psychology*, Oxford University Press, doi: 10.1093/acrefore/9780190236557.013.78.

Maitlis, S. and Christianson, M. (2014), “Sensemaking in organizations: taking stock and moving forward”, *Academy of Management Annals*, Vol. 8 No. 1, pp. 57-125, doi: 10.5465/19416520.2014.873177.

Maitlis, S. and Sonenshein, S. (2010), “Sensemaking in crisis and change: inspiration and insights from weick (1988)”, *Journal of Management Studies*, Vol. 47 No. 3, pp. 551-580, doi: 10.1111/j.1467-6486.2010.00908.x.

Martinez-Meyers, S., Ferrero-Ferrero, I. and Muñoz-Torres, M.J. (2024), “The European sustainable finance disclosure regulation (SFDR) and its influence on ESG performance and risk in the fund industry from a multi-regional perspective”, *Journal of Financial Reporting and Accounting*, doi: 10.1108/JFRA-03-2024-0150.

Paetzold, F., Busch, T., Utz, S. and Kellers, A. (2022), “Between impact and returns: private investors and the sustainable development goals”, *Business Strategy and the Environment*, Vol. 31 No. 7, pp. 3182-3197, doi: 10.1002/bse.3070.

Palinkas, L.A., Horwitz, S.M., Green, C.A., Wisdom, J.P., Duan, N. and Hoagwood, K. (2015), “Purposeful sampling for qualitative data collection and analysis in mixed method implementation research”, *Administration and Policy in Mental Health and Mental Health Services Research*, Vol. 42 No. 5, pp. 533-544, doi: 10.1007/s10488-013-0528-y.

Partiti, E. (2024), “Addressing the flaws of the sustainable finance disclosure regulation: moving from disclosures to labelling and sustainability due diligence”, *European Business Organization Law Review*, Vol. 25 No. 2, pp. 299-332, doi: 10.1007/s40804-024-00317-6.

Patton, M.Q. (2014), *Qualitative Research and Evaluation Methods: Integrating Theory and Practice*, 4th ed., SAGE Publications.

Quirici, M.C. (2023), “Is there a risk of greenwashing in the application of the EU SFDR in the SRI Fund industry?Some critical issues”, *Varazdin 2023 ESD Conference*, pp. 187-196, available at: https://arpi.unipi.it/handle/11568/1179487

Ramos Muñoz, D., Lamandini, M. and Siri, M. (2024), “The current implementation of the sustainability-related financial disclosures regulation (SFDR)”, *SSRN Electronic Journal*, doi: 10.2139/ssrn.5042850.

Ritchie, J., Lewis, J. and Elam, G. (2003), “Designing and selecting samples”, *Qualitative Research and Evaluation Methods: Integrating Theory and Practice*, Choice Reviews Online, Vol. 4.

Sandberg, J. and Tsoukas, H. (2015), “Making sense of the sensemaking perspective: its constituents, limitations, and opportunities for further development: making sense of sensemaking perspective”, *Journal of Organizational Behavior*, Vol. 36 No. S1, pp. S6-S32, doi: 10.1002/job.1937.

Scheitza, L. and Busch, T. (2024), “SFDR art. 9: is it all about impact?”, *Finance Research Letters*, Vol. 62, p. 105179, doi: 10.1016/j.frl.2024.105179.

Scheitza, L., Busch, T. and Metzler, J. (2022), “The impact of impact funds – a global analysis of funds with Impact-Claim”, *SSRN Electronic Journal*, doi: 10.2139/ssrn.4082091.

Scherer, B. and Hasaj, M. (2023), “Greenlabelling: how valuable is the SFDR art 9 label?”, *Journal of Asset Management*, Vol. 24 No. 7, pp. 541-546, doi: 10.1057/s41260-023-00319-y.

Sievers-Glotzbach, S. and Tschersich, J. (2019), “Overcoming the process-structure divide in conceptions of Social-Ecological transformation”, *Ecological Economics*, Vol. 164, p. 106361, doi: 10.1016/j.ecolecon.2019.106361.

Soest, C. V. (2023), “Why do we speak to experts? Reviving the strength of the expert interview method”, *Perspectives on Politics*, Vol. 21 No. 1, pp. 277-287, doi: 10.1017/S1537592722001116.

Strauss, A. and Corbin, J. (1990), *Basics of Qualitative Research: Grounded Theory Procedures and Techniques*, SAGE Publications, Newbury Park, Calif.

Sullivan, T.J. (2001), *Methods of Social Research*, Harcourt College Publishers.

Vandeloise, V. (2024), "Rethinking SFDR: Finance watch's proposal in 10 questions – position paper | finance watch", available at: www.finance-watch.org/policy-portal/sustainable-finance/rethinking-sfdr-finance-watchs-proposal-in-10-questions/?utm_source=chatgpt.com (accessed 30 May 2025).

Vandor, P., Dober, F., Meyer, M. and Millner, R. (2025), "Evaluating impact potential in early-stage impact investing: investment criteria and cognitive processes of investors", *Journal of Business Venturing Insights*, Vol. 23, p. e00535, doi: 10.1016/j.jbvi.2025.e00535.

Volhard, P., Jang, J.-H., Young, J., Just, H., Scott, A. and Weidner, E.B. (2025), "EU platform on sustainable finance proposes SFDR product categorization regime", Debevoise, available at: www.debevoise.com/insights/publications/2025/01/eu-platform-on-sustainable-finance-proposes-sfdr (accessed 30 May 2025).

Weick, K.E. (1979), *The Social Psychology of Organizing*, 2nd ed., McGraw-Hill, New York, NY.

Weick, K.E. (1995), *Sensemaking in Organizations*, Sage Publications, Thousand Oaks, CA.

Weick, K.E. and Daft, R.L. (1983), "The effectiveness of interpretation systems", *Organizational Effectiveness: A Comparison of Multiple Models*, pp. 71-93.

Weick, K.E., Sutcliffe, K.M. and Obstfeld, D. (2005), "Organizing and the process of sensemaking", *Organization Science*, Vol. 16 No. 4, pp. 409-421, doi: 10.1287/orsc.1050.0133.

Further reading

AIR (2026), "Position paper impact investing in SFDR 2.0", Air4p.De, available at: https://air4p.de/wordpress/wp-content/uploads/2026/04/SFDR_Impact_Investing_Position_Paper_Final_v1.pdf (accessed 2 June 2026).

Bortot, M. (2024), "Essential guide to the sustainable finance disclosure regulation (SFDR)", Atlas Metrics, available at: www.atlasmetrics.io/blog/sfdr (accessed 29 August 2025).

Zhan, J. and Karl, J. (2016), "Investment incentives for sustainable development", in Tavares-Lehmann, A.T., Toledano, P., Johnson, L. and Sachs, L. (Eds), *Rethinking Investment Incentives: Trends and Policy Options*, Columbia University Press, doi: 10.7312/columbia/9780231172981.003.0009.

Zhan, J.X. and Santos-Paulino, A.U. (2021), "Investing in the sustainable development goals: mobilization, channeling, and impact", *Journal of International Business Policy*, Vol. 4 No. 1, pp. 166-183.

Appendix. Interview questionnaire (incl. questions for follow-ups)

Understanding impact investing

- How does your organization define and operationalize impact investing?
  - Can you share specific examples of projects or financial products?
  - How is success measured?
- What do you think are the biggest challenges you encountered doing impact investing?
  - How did you address them?

SFDR compliance and opinions on the SFDR

- How do you view the SFDR? – Is it an improvement, a misguided effort or a hindrance?
- How has the SFDR influenced the design of your investment products?
  - What challenges have emerged during the implementation of the SFDR?
  - What resources were particularly helpful in implementing the SFDR?
- Would you generally categorize SFDR Art. 9 products as impact investments?
- Do you think the SFDR requirements for different product categories are fair and adequate?

- Has the SFDR achieved its objectives?
- From an impact investing perspective – what policy changes would you recommend?

Supplementary questions/follow-up questions

- What are your impact goals – and how does the SFDR help you achieve those?
- Looking back, do you think the SFDR has changed the way you approach impact investing?
  - If so, how?
- A core element of the EU Commissions "Action Plan on Sustainable Finance" was to reorient capital flows towards more sustainable investments. With the SFDR being a part of that action plan, and its main purpose being the reduction of information asymmetries for retail investors, do you believe that the SFDR fulfils the objective of the "Action Plan on Sustainable Finance", or is it the wrong instrument?

Corresponding author
Johannes Maximilian Freiling can be contacted at: johannes.freiling@uni-hamburg.de