

ESMA Guidance on Impact and Climate Transition Claims

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On 12 October 2026, the European Securities and Markets Authority (“**ESMA**”) published its [third](#) and [fourth](#) thematic note on making clear, fair and not misleading sustainability-related claims to address greenwashing risks. These two additional notes focus on impact claims and climate transition claims (the “**Thematic Notes**”). The Thematic Notes follow previous notes on [ESG credentials](#) and [ESG strategies](#).

Although addressed to EU market participants, the Thematic Notes are likely to inform how EU national competent authorities assess sustainability claims in materials used by non-EU managers marketing funds in the EU, including under national private placement regimes. UK managers should also continue to consider the FCA’s anti-greenwashing rules, which similarly requires sustainability references to be fair, clear and not misleading.

The Thematic Notes build on ESMA’s four principles that sustainability claims should be:

1. accurate,
2. accessible,
3. substantiated and
4. up to date.

These principles seek to promote greater transparency and consistency in sustainability-related disclosure and to ensure that sustainability claims made by market participants such as investment managers are not misinterpreted and do not mislead investors. For further details on these four principles and the first thematic note, see our article [here](#).

The Thematic Notes address non-regulatory oral and written communications, including marketing materials and voluntary reporting, but are not directed at legal or regulatory documentation (e.g. a fund's private placement memorandum or SFDR pre-contractual and periodic disclosures) and do not introduce new regulatory requirements. They sit alongside existing obligations under the Sustainable Finance Disclosure Regulation ("**SFDR**"), including the requirement in Article 13(1) that marketing communications do not contradict information disclosed under SFDR. ESMA emphasises that the Thematic Notes focus on communicating sustainability claims, rather than setting new sustainability standards or prejudging the outcome of the SFDR review.

Impact claims

The third note addresses positive environmental or social impact claims made in relation to funds and bonds. ESMA highlights differing interpretations of "impact" and encourages firms to explain their ambition by reference to **intentionality**, **additionality** and **measurability**, with the following practical points:

- **Intentionality:** Explain the environmental or social problem targeted and how the investment strategy is expected to address it and generate positive impact. Objectives should be supported by a "theory of change" explaining how the intended impact will be achieved, the type of impact targeted, and the metrics used to measure the impact.
- **Additionality:** Distinguish the impact generated by the investee (investee impact) from that generated through the investor's actions (investor impact), and explain any claim that those actions produce outcomes that would not otherwise occur, or would occur to a lesser extent. ESMA recognises the difficulty of demonstrating investor additionality, making a clear rationale (such as the "theory of change") for the claimed contribution particularly important.
- **Measurability:** Track progress towards objectives and report accurate and up-to-date results. Select relevant key performance indicators, explain whether they measure outputs, outcomes or impact, disclose assumptions and methodological limitations and avoid selectively reporting favourable results.

As an example, ESMA identifies as poor practice a fund taking full credit for a company's progress without acknowledging other investors' contributions. It also cautions against presenting standard ESG engagement as impact-generating without explaining the connection to specific impact objectives, relying on exclusions or ESG risk metrics in place of impact criteria, setting broad or non-binding objectives (such as general references to the UN Sustainable Development Goals), and describing a fund as "impact" solely because of its asset class or sector.

Climate transition claims

The fourth note focuses on climate change mitigation claims across funds, bonds and benchmarks. ESMA recognises that these claims are forward-looking and uncertain, but emphasises three areas for clear communication:

- **Transition ambition:** Explain the intended outcome together with material assumptions and limitations. Where targets are disclosed, specify the relevant metrics, baseline, time horizon and intermediate milestones. Explain the relevant emissions scopes and any science-based pathways used.
- **Implementation:** Explain how investments or financed activities support the ambition, including the role of selection criteria, benchmarks, ratings and engagement, and how any fossil fuel or other high-emitting exposures are consistent with that ambition. Explain the methodologies underlying benchmarks or ratings and, where relevant, engagement escalation mechanisms.
- **Progress:** Report regularly against previously communicated targets and milestones, explaining data limitations, material methodological changes, delays, targets that are no longer achievable and corrective actions rather than highlighting only positive developments. Changes to the metrics or methodologies used to report progress should be explained, including their implications.

As an example, ESMA describes a fund targeting a 30% reduction in portfolio carbon intensity by the end of 2029 against a 2024 baseline. It identifies as good practice specifying the emissions covered and interim milestones, explaining data gaps, and clarifying that the target is not a claim of real-economy emissions reductions.

Practical considerations

Private market fund managers should not assume the guidance is relevant only to retail-facing communications.

We recommend reviewing fundraising presentations, website statements and voluntary investor reporting to check that impact and transition claims match the underlying strategy, can be substantiated, and remain consistent as performance and assumptions change. This is particularly relevant for strategies marketed as impact or transition funds by reference to their sector focus, such as infrastructure, renewables or climate-focused private equity, where ESMA expects the claimed impact or transition contribution to be explained rather than assumed.

Managers directing communications at EU consumers should also consider the separate rules implementing the Empowering Consumers for the Green Transition Directive (“**EmpCo**”), including those addressing claims about future environmental performance. See our article [here](#) for further information on the EmpCo directive.

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