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# From disclosure to deployment

Impact Europe director of policy and advocacy, **Jana Bour**, looks at why the SFDR review puts Europe's pension capital at a crossroads

Across Europe, ageing populations are putting unprecedented pressure on public systems – from healthcare and long-term care to education, housing and pensions themselves. At the same time, Europe's competitiveness depends on its ability to scale innovation and productive investment at home, rather than exporting future growth, industrial capacity and jobs to other markets. Both challenges point to the same conclusion: Systems change is required, and systems change cannot be financed by one type of capital alone.

It is in this context that the review of the Sustainable Finance

Disclosure Regulation (SFDR) takes on a significance that goes far beyond reporting. For the pensions industry in particular, SFDR increasingly shapes not only how investments are disclosed, but which investment strategies are perceived as feasible, defensible and legitimate under fiduciary and supervisory scrutiny.

## The SFDR review

The European Commission's SFDR proposal is explicitly framed as a course correction. It aims to reduce complexity, restore legal clarity and address unintended consequences of the current framework – notably its

evolution into a de facto product labelling regime.

Several elements of the proposal are particularly relevant for pension funds.

- **Simplicity:** Removal of entity-level disclosures reduces unnecessary burden and refocuses attention on product-level relevance.

- **Clarity:** A clearer distinction between products that integrate sustainability risks, support transition and real-economy transformation, or pursue sustainability or impact outcomes – together with rules on naming and marketing – helps protect investors and reduce greenwashing risk.

- **Flexibility:** The flexible use of Principal Adverse Impact (PAI) indicators across all products give the market space to innovate while still encouraging meaningful transparency.

These changes respond directly to concerns long raised by pension providers: That legal uncertainty, compliance risk and reputational exposure have at times discouraged allocations to long-term, innovative or system-level investments, even where those investments are economically sound and aligned with EU priorities.

## Impact and transition finance

One of the most welcome signals in the revised SFDR proposal, particularly from Impact Europe's perspective, is the explicit recognition of impact investing as a distinct sustainability approach, rather than a by-product of ESG integration.

For pension funds, this matters because it acknowledges that long-term value creation can align with measurable social and environmental outcomes, and legitimises strategies that contribute directly to transforming the real economy – from climate transition and biodiversity to health, care, and social infrastructure.

However, recognition alone is not

sufficient. To be effective, SFDR must accommodate blended-finance structures, phased transitions from early risk to stable cash flows, and governance models that reflect the realities of real-economy investment. And these conversations all too often sit outside the core sustainable finance debate. At the same time, there is a clear and important signal in the proposed framework: Investments, including co-investments through EU programmes, such as InvestEU, are considered sustainable when they pursue environmental or social objectives.

Europe cannot deliver competitiveness, social resilience and demographic sustainability without mobilising diverse forms of capital together, and directing them toward Europe's real and productive economy.

### Blended finance and pensions

Transformative change requires different forms of capital to play complementary roles: Philanthropic capital to absorb early learning and systems risk, impact and venture capital to finance innovation and execution, public capital to anchor demand and provide guarantees, and institutional capital, including pensions, to provide long-term, scalable finance once systems stabilise.

Pension funds sit at the heart of this ecosystem. They are among Europe's largest pools of long-duration capital, uniquely positioned to finance infrastructure, industrial transformation, housing, healthcare, care systems and social innovation - the foundations of the real economy.

Their responsibility is dual: To deliver strong, risk-adjusted returns for retirement security, and to manage systemic risks that ultimately

undermine those returns, including climate disruption, demographic pressure, and underinvestment in productive capacity.

In this sense, an exclusive focus on short-term optimisation, disconnected from the health of the real economy, can itself become a fiduciary blind spot. Retirement adequacy depends on functioning economic and social systems, not just market performance.

At the same time, it is a core responsibility of policymakers to create the conditions that enable pension funds to play this role - by removing unnecessary constraints, providing meaningful blended-finance instruments to absorb first risk, and mobilising philanthropic capital alongside public resources. In this respect, the SFDR clarification on InvestEU-backed investments is a highly relevant and welcome step in the right direction. With the European Investment Fund set to launch a new blended-finance product under InvestEU this year, these seemingly incremental policy adjustments point in the same direction: Creating the conditions for pension funds to participate at scale, secure retirement adequacy, and finance Europe's long-term value creation.

### Beneficiaries matter

An often under-explored dimension of the SFDR debate is the role of pension beneficiaries themselves. Across Europe, many beneficiaries increasingly express a desire for a portion of their savings to contribute to tangible impact, particularly within Europe, without sacrificing financial performance. Existing models show this is possible.

### Why this matters now

Europe is entering a decisive phase for its pension and savings framework, including the ongoing review of the IORP framework, efforts to strengthen the Pan-European Personal Pension Product (PEPP), and the broader Savings and Investments Union (SIU) agenda.

The commission's welcome focus on enabling PEPPs and IORPs to invest in more diversified asset classes, including broader categories of equity investments, is a crucial step. Greater diversification would allow pension capital to better finance European businesses and projects aligned with EU priorities, including investments supported by InvestEU, fostering the digital and green transition.

Together, these reforms will shape how much flexibility pension funds have to allocate to long-term, illiquid, or blended-finance vehicles, respond to beneficiary preferences in a legally robust way, and integrate sustainability and impact without increasing compliance or litigation risk.

If SFDR, IORP, PEPP, and SIU evolve in isolation, the result is likely fragmentation and caution. If they are aligned around a coherent vision, mobilising long-term capital into Europe's productive economy, pension funds can become a stabilising and growth-enhancing force.

### Impact Days

This is precisely the role that **Impact Days in Brussels, on 9–11 June**, seeks to play - to create a meeting point where industry can jointly design pathways that connect disclosure with deployment.

Because, ultimately, we are in the same boat. Europe's competitiveness depends on investing in its real economy. Europe's social model depends on functioning public and social systems. Retirement security depends on both.

**"TRANSFORMATIVE CHANGE REQUIRES DIFFERENT FORMS OF CAPITAL TO PLAY COMPLEMENTARY ROLES"**