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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 Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment

(Text with EEA relevance)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

This legislative proposal puts forward amendments to the Sustainable Finance Disclosure Regulation (SFDR – Regulation 2019/2088)¹. The SFDR was adopted on 27 November 2019 and has been in application since March 2021. It represents one of the first pieces of the EU Sustainable Finance framework and it is part of a broader package of sustainability disclosure rules, tools and standards for non-financial and financial companies adopted pursuant to the Commission's 2018 Action Plan on Financing Sustainable Growth².

The SFDR is a disclosure framework which sets detailed sustainability disclosures for financial intermediaries and financial products regarding how they consider various environmental, social and governance (ESG) factors. Its objective is to increase transparency, combat greenwashing and protect investors by ensuring that information in this respect is disclosed to investors by financial market participants such as asset managers and pension funds and by financial advisers on their websites, and in pre-contractual and periodic disclosures for financial products.

The SFDR is complemented by a Commission Delegated Regulation³ which lays down detailed disclosure rules for how financial market participants, and financial advisers should disclose sustainability information about their investment activities and their financial products toward investors, in order to help the latter make informed choices. The Delegated Regulation specifies notably the details of the information to be disclosed to investors in pre-contractual documents, on websites and in periodic reports both for financial market participants as entities as well as for the financial products which they make available.

For entity-level disclosures, financial market participants and financial advisers are required to explain how they integrate ESG considerations into their internal procedures, including their due diligence processes and consideration of responsible business practices. For product-level disclosures, including for investment funds, insurance-based investment products and pension products, they are required to disclose their sustainability characteristics and objectives. Article 8 of the SFDR establishes that, for products that promote environmental or social characteristics, financial market participants must show how they promote such environmental and social characteristics. Under Article 9 of the SFDR, where a product has a sustainable investment as its objective, financial market participants must explain the sustainable objective and show how the objective is attained. Finally, all products in the scope of the SFDR are subject to the disclosures under Article 6 of the SFDR, meaning that financial market participants must disclose how sustainability risks are integrated in the investment decision process and the results of the assessment of the likely impacts of sustainability risks on the returns of the products, where relevant, or explain why this is not the case.

Since its inception, the SFDR has had broad-reaching effects on the market, accompanying a steady demand for financial products with ESG characteristics. Products disclosing under

¹ 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 (OJ L 317, 9.12.2019, pp. 1–16).

² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Action Plan on Financing Sustainable Growth (COM (2018) 97 final).

³ Commission Delegated Regulation (EU) 2022/1288 (OJ L 196, 25.7.2022, pp. 1–72).

Articles 8 and 9 of the SFDR account for almost 50% of EU Assets under Management (AuM), representing more than 60% of EU funds⁴. Europe is by far the largest market for such funds, accounting for up to 84% of global sustainable fund assets⁵.

The comprehensive assessment of the SFDR undertaken by the Commission under Article 19 of the Regulation since 2023 has however identified several problems that have emerged since its entry into application. The evidence gathered showed that while the objectives of the SFDR remain broadly supported, several aspects of the rules are considered complex and difficult to implement. Problems of misalignment between concepts and definitions in the SFDR and in other EU sustainable finance legislation, coupled with challenges for financial market participants to access reliable and comprehensive ESG data have contributed to the complexity of the framework. Evidence shows the objective of investor protection has not been sufficiently well served, compounded by the misuse of the Articles 8 and 9 in the framework as quasi-labels.

The review of the SFDR is included among the simplification initiatives in the 2025 Commission Work Programme⁶. In line with the Political Guidelines for 2024-2029⁷, the objective is to stay the course on the goals set out in the European Green Deal, but with simpler rules, lower administrative burden and better enforcement. The need for simplification of the sustainable finance framework was also highlighted in ‘The future of competitiveness Report’⁸ by Mario Draghi to lower compliance cost for companies in the EU.

Against this background, the Commission proposes to review the SFDR to make it more efficient, simple and proportionate. Key in this effort is ensuring the integrity of the EU single market for sustainable finance by ensuring requirements which mitigate risks of greenwashing and better help investors seize and compare opportunities in sustainability-linked financial products, while at the same time boosting Europe’s financial sector’s competitiveness by ensuring conditions which make business easier and help to deepen the single market for sustainability-linked financial products and thus to help efficiently allocate capital for Europe’s sustainable prosperity.

The changes involve notably two areas. The first is to simplify and reduce the sustainability-related administrative and disclosure requirements of the framework for financial market participants, as well as to enhance the coherence of the framework for their operational needs. The second is to improve end-investors’ ability to understand and compare sustainability-linked financial products.

The present proposal therefore puts forward a considerable simplification of reporting requirements under the framework, and a three-way categorisation of financial products with ESG features, incorporating wide stakeholder feedback and largely building on current market practices.

⁴ Commission calculations are based on data from global data providers.

⁵ See data from the Platform on Sustainable Finance (PSF): https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance_en

⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Commission work programme 2025. Moving forward together: a Bolder, Simpler and Faster Union (COM (2025) 45 final).

⁷ [Priorities 2024-2029 - European Commission](#)

⁸ [The Draghi report on EU competitiveness](#)

- **Consistency with existing policy provisions in the policy area**

The SFDR is closely linked with other pieces of the sustainable finance framework, including the EU Taxonomy⁹, EU Benchmarks Regulation,¹⁰ Corporate Sustainability Reporting Directive (CSRD)¹¹, the Corporate Sustainability Due Diligence Directive (CSDDD)¹², as well as relevant parts of the Markets in Financial Instruments Directive (MiFID II)¹³ and Insurance Distribution Directive (IDD)¹⁴ and links with the Shareholder Rights Directive (SRD)¹⁵.

Together, they help support companies and the financial sector in helping to mobilise private funding into sustainable investment projects and technologies. In particular, reporting obligations for financial market participants under the SFDR build on the reporting obligations for companies under the CSRD and the Taxonomy Regulation. The review of the SFDR is thus necessary to reflect the changes introduced by the proposed ‘Omnibus’¹⁶ simplifications regarding sustainability information from companies, in particular the future scope of the corporate disclosures from companies under the CSRD.

The review also closely reflects the guidelines by the European Securities and Markets Authority on funds’ names using ESG or sustainability related terms¹⁷.

- **Consistency with other Union policies**

As mentioned above, the SFDR review is a simplification initiative in the 2025 Commission Work Programme and part of the follow-up to the Draghi report. In the same spirit of the recently published initiatives to advance the savings and investment union, the SFDR is also aimed at supporting measures to create better financial opportunities and financial outcomes for citizens who wish to invest, such as the recommendations on the Savings and Investment Accounts (SIAs)¹⁸, designed for individuals looking to grow their savings by investing in financial markets. In addition, the Commission’s strategy on financial literacy, aimed at helping

⁹ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

¹⁰ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as

benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014.

¹¹ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

¹² Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 (to apply from July 2028).

¹³ Commission Delegated Regulation (EU) 2021/1253 of 21 April 2021 amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms.

¹⁴ Commission Delegated Regulation (EU) 2021/1257 of 21 April 2021 amending Delegated Regulations (EU) 2017/2358 and (EU) 2017/2359 as regards the integration of sustainability factors, risks and preferences into the product oversight and governance requirements for insurance undertakings and insurance distributors and into the rules on conduct of business and investment advice for insurance-based investment products.

¹⁵ Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies, as amended in 2017, notably Chapter Ib.

¹⁶ Proposal for a Directive of the European Parliament and of the Council amending Directives 2011/61/EU and 2009/65/EC as regards delegation arrangements, liquidity risk management, supervisory reporting, provision of depositary and custody services and loan origination by alternative investment funds (COM (2025) 80 final).

¹⁷ ESMA Guidelines on funds’ names using ESG or sustainability-related terms (ESMA34-1592494965-657), August 2024.

¹⁸ Commission Recommendation on Increasing the availability of Savings and Investments Accounts with simplified and advantageous tax treatment (C(2025)6800 final).

citizens better understand investment principles, opportunities and risks¹⁹, will allow citizens and investors to get a greater understanding of the economic effects of choosing to finance certain activities, as well as their impacts and implications for employment, sustainability, social outcomes and resilience.

The proposed changes aim to facilitate the implementation of the sustainable finance framework and scale up its impact to promote a more effective functioning of the single market for sustainable finance, including by improving transparency and empowering investors across the Union to participate in EU capital markets in line with the objectives of the Savings and Investments Union²⁰. Also, consistent with the broader simplification agenda and the objective of delivering simpler rules through better implementation under the SUI, the Commission has also published a list of non-essential level 2 measures which includes the repeal of several level 2 measures stemming from the SFDR.²¹ The updated rules will also address current barriers to the cross-border distribution of financial products with sustainability features which impede the potential of the single market in sustainable finance from effectively mobilising savings towards Europe's sustainable prosperity.

The review will contribute toward the objectives of the European Green Deal in a more efficient way, including climate neutrality under the Climate Law²², the environmental transition supported by an innovative and circular economy, and the achievement of the UN Sustainable Development Goals (SDGs).

Finally, the SFDR review builds on the guidance from the Commission on the application of the EU sustainable finance framework regarding the defence sector, as announced in the European Defence Industrial Strategy (EDIS) Communication²³ and reflects the actions announced in the March 2025 Joint White Paper for European Defence Readiness 2030²⁴ to further bolster access to finance for the defence sector, further developed in the Defence Readiness Omnibus proposals from June 2025²⁵.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

The legal basis of the review is the same as the existing Regulation (EU) 2019/2088, meaning Article 114 of the Treaty on the functioning of the European Union (TFEU), which allows the adoption of measures for the approximation of national provisions having as their object the establishment and functioning of the internal market.

¹⁹ Communication from the Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on a Financial Literacy Strategy for the EU (COM (2025) 681 final).

²⁰ [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Savings and Investments Union: A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU \(COM \(2025\) 124 final\).](#)

²¹ [5240f9bf-d996-45bc-8b33-04981a2a0ef0_en](#)

²² Regulation (EU) 2021/1119 of 30 June 2021 establishing the framework for achieving climate neutrality (European Climate Law).

²³ Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A new European Defence Industrial Strategy: Achieving EU readiness through a responsive and resilient European Defence Industry (JOIN (2024) 10 final).

²⁴ Joint White Paper for European Defence Readiness 2030 JOIN (2025) 12 final).

²⁵ [Defence Readiness Omnibus - European Commission](#)

The analysis carried out as part of the comprehensive assessment suggests that greater comparability with more focused information for investors, as well as improved legal certainty and more streamlined SFDR disclosures are needed. The steps under the review are expected to result in more user-friendly information for investors to help them make informed choices, and also information more easily usable by distributors. In addition, the simplification is expected to also boost the effectiveness and efficiency of the single market for sustainable products.

The rules underpin the correct and safe functioning of the internal market, safeguard competition between different financial market participants and incentivise behavioural changes toward greater innovation.

- **Subsidiarity (for non-exclusive competence)**

This proposal complies with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union (TEU). The need for a coherent common framework for sustainability-related disclosures for financial products across the EU was established as part of the original SFDR. The objectives remain fully valid and enjoy broad stakeholder support. Without effective Union-level action, the problems identified since the entry into force of the Regulation would persist and would not be tackled in an effective, efficient and coherent way. Financial market participants and investors would continue to face undue complexity in the application of the rules. Excessively lengthy disclosure rules and templates involving sustainability characteristics in the business practices of financial market participants, as well as in the financial products they offer to investors, would remain in place. Uncertainty and insufficient comparability would continue to mark the availability of ESG financial products, negatively impacting their credibility and uptake.

Given the problems outlined above, the necessary simplification and adjustment of the existing SFDR framework can only be done in a coherent and effective way at EU level. This effective EU level action would also help scale up private sustainable finance across the Union, boost the proper functioning of the single market for sustainable finance and ultimately contribute to improving transparency for investors to enable their participation in EU capital markets, in line with the objectives of the Savings and Investments Union.

- **Proportionality**

The proposed amendments respect the principle of proportionality, as set out in Article 5 of the Treaty on European Union (TEU), and do not go beyond what is necessary to achieve the objectives of simplification and alleviating burdens while ensuring transparency and investor protection, and achieving the scaling up of private sustainable finance in support of Europe's sustainability and competitiveness goals in the most effective and efficient fashion. In addition, based on the proportionality principle, the present proposal works with the grain of market practices and does not go beyond what is necessary to reach the objectives of the present review.

- **Choice of the instrument**

This proposal amends Regulation (EU) 2019/2088 via an amending Regulation. A directly applicable regulation, providing full harmonisation, is needed to address market fragmentation and reduce the scope for additional national rules to tackle perceived shortcomings and ensure the desired simplification of requirements and disclosures across the board, both for the benefit of financial market participants and investors, in a harmonised way throughout the Union.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

In December 2022²⁶, the Commission announced a comprehensive assessment of the SFDR framework. Two consultations were issued (one public and one targeted) running from September until December 2023.

The assessment served to gather feedback on the functioning of the framework and assessing any shortcomings with regard to how well it is achieving its ultimate objectives. In particular, this concerned how the rules were working in terms of helping to attract private funding to facilitate the transition of the European economy towards greater sustainability and, as part of this, empowering investors to better understand and compare the products on offer.

The assessment and its various steps, outlined in the next section, were recapped in an evaluation of the SFDR, carried out as part of the impact assessment accompanying this proposal (see under ‘Impact assessment’ below). The evaluation results help identify and confirm the key problem drivers, and which inform the lessons learned for the review.

- **Stakeholder consultations**

The following section provides an overview of the stakeholder-consultations carried out for the review:

- Targeted and open public consultations
- Technical workshops and roundtables
- Commission expert group’ briefings notes (Platform for Sustainable Finance – PSF)
- Input from the European Supervisory Authorities (ESAs)
- Engagement with Member States
- Continuous engagement with experts
- Call for Evidence

Targeted and open public consultations

Two public consultations ran from September to December 2023 (targeted²⁷ and open²⁸). A summary report²⁹ was published in May 2024.

324 organisations and individuals participated in the targeted consultation. Financial market participants and financial advisers made up the largest group of respondents, followed by NGOs. Respondents were predominantly from EU countries. Respondents from non-EU countries were mostly from the UK and the US.

²⁶ Targeted consultation on the implementation of the SFDR.

²⁷ Targeted consultation document: Implementation of the Sustainable Finance Disclosures Regulation (SFDR).

²⁸ [Sustainable Finance Disclosure Regulation - assessment](#)

²⁹ Summary report of the open and targeted consultations on the implementation of the Sustainable Finance Disclosures Regulation (SFDR)

The responses showed significant support for the SFDR policy goals but mixed views on how the implementation of the regulation delivered against its specific objectives. The majority of respondents agreed that the SFDR was currently not being used solely as a disclosure framework as intended, but also as a labelling and marketing tool (in particular the disclosures under Article 8 and 9). Many also highlighted that inconsistencies between different parts of the sustainable finance framework pose challenges for both financial market participants and end investors and queried whether the SFDR is the right place to set entity-level disclosure requirements to inform investors. Most respondents called for disclosures to be simplified and made more meaningful for investors.

The majority of respondents supported setting up an EU categorisation system for ESG financial products, focused on retail investors, accounting for the international investments of EU financial products, and leveraging existing market practices.

Technical workshops and roundtables

In addition to the targeted and open consultations, the Commission also held four technical workshops to gather further technical comments to accompany the replies to the consultations. The workshops took place in October and December 2023, and in January 2024.

PSF reports

The Platform for Sustainable Finance (PSF), a Commission expert group, submitted input in two reports. The first, from December 2023³⁰ addresses the main questions raised by the Commission in the targeted consultation. In December 2024, the PSF published a second submission³¹, outlining how a categorisation system for sustainable finance products could be set up and calibrated, with a proposal to set up three categories (called ‘sustainable’, ‘transition’ and ‘ESG collection’). The report covered the current state of ESG financial markets and the potential impact that setting certain thresholds could have on current products falling under Articles 8 and 9 of the SFDR.

Input from the ESAs

The European Supervisory Authorities (the ESAs) delivered in June 2024 a joint opinion on the assessment of the SFDR³² where they suggested to set up new categories, a ‘sustainable product’ category and a ‘transition product’ category. ESMA published its own further opinion (Sustainable investments: facilitating the investor journey) in July 2024 where amongst other things it strongly encouraged the establishment of a categorisation system³³.

Engagement with Member States

The European Commission engaged Member States in the context of the Member State Expert Group³⁴ in two meetings (December 2024³⁵ and June 2025³⁶), requesting their feedback and

³⁰ Platform Briefing on EC targeted consultation regarding SFDR Implementation, December 2023.

³¹ Categorisation of Products under the SFDR: Proposal of the Platform on Sustainable Finance, December 2024.

³² Joint ESAs Opinion on the assessment of the SFDR (JC 2024 06), June 2024. (

³³ ESMA Opinion on sustainable investments: Facilitating the investor journey (ESMA36-1079078717-2587), July 2024.

³⁴ Member States expert group on sustainable finance (E03603)

³⁵ [34th Meeting of the Member State Expert Group on Sustainable Finance](#)

³⁶ [39th Meeting of the Member States Expert Group on Sustainable Finance](#)

comments. The Commission also received numerous letters and position papers from Member State authorities and National Competent Authorities (NCAs) presenting their views on the review of the SFDR.

Continuous engagement with experts

The European Commission engaged continuously with experts such as financial market participants, investors, NGOs, trade associations, academics and other interested stakeholders, on key challenges with the current SFDR and on how to set up categories.

Call for Evidence

Finally, the Commission gathered feedback during the Call for Evidence which ran from 2 May to 30 May 2025. 195 stakeholders submitted their views. The largest group of respondents were businesses associations and companies/businesses, followed by NGOs, and to a lesser extent, national authorities. Respondents were predominantly from EU countries, with France, Germany, Belgium, Italy and Netherlands being the most represented.

- **Collection and use of expertise**

In addition to the feedback collected above, the Commission reviewed several studies and additional data sources, from both stakeholder and academic sources, including the study requested by the ECON Committee of the European Parliament on “the current implementation of the SFDR”³⁷, quoted in the impact assessment accompanying the proposal.

Material used to prepare the impact assessment and inform policy choices comes from diverse market participants and stakeholders, as well as other reputable and well-recognised sources. Findings were cross-checked across different information sources to avoid biases caused by outliers or vested interests.

- **Impact assessment**

An impact assessment was carried out to prepare this legislative proposal. On 2 July 2025, the impact assessment report was examined by the Regulatory Scrutiny Board (RSB). Following a first negative opinion, the Board issued a positive opinion with reservations on 8 October 2025.

In its comments, the RSB notably requested that the policy options should be better specified to allow for an adequate assessment and comparison, that the option of repealing the SFDR should be fully assessed alongside other options, that the coherence with the simplifications under the Omnibus proposals should be better established, and the feasibility of creating reliable categories should be better evidenced including given challenges with ESG data availability impacted by the Omnibus. A more detailed description of what the policy options would concretely look like was thus added, mainly by providing illustrative details for the future streamlined disclosures, to be further specified in implementing measures, and more detailed criteria for the three proposed categories. A full analysis of the repeal option was added, along with further analysis to demonstrate the steps needed in the review to ensure coherence with the Omnibus. Further evidence was added on the feasibility to set ESG disclosures that would be meaningful and would be based on broadly available, comparable and credible sustainability information which responds to investors’ demand. Finally, the analysis of costs, benefits and

³⁷ Study requested by the ECON Committee: The current implementation of the Sustainability – related Financial Disclosure Regulation (SFDR); with an assessment of how the current framework is working for retail investors, July 2024.

savings was further substantiated to support the above, based on data which was available and reliable. The policy options explored in the impact assessment aim at defining the essential features of the disclosures and categories for the Level 1 proposal, clearly framing the limited areas for supplementary rules needed in a future Level 2 Regulation. Besides coherence between the SFDR and the rest of the sustainable finance framework, including the changes entailed by the Omnibus in terms of sustainability disclosures applicable to corporates, an important consideration was recognising and building upon current market practices, to ensure a sufficient degree of continuity with appropriate criteria in the categorisation of products that are already being applied by markets, namely reflecting the ESMA fund name guidelines³⁸.

To achieve the objectives set for the review, the preferred options were assessed to be:

- (i) deleting disclosures at entity level regarding principal adverse impacts, largely cancelling out the costs associated with entity-level disclosures (25% of the overall costs linked to the disclosures, saving an annual total of EUR 56 million in recurring costs), and removing any duplication between the SFDR and CSRD;
- (ii) significant reduction to product-level disclosures, refocusing on templates for categorised products with fewer sustainability indicators for facilitating comparability and found to be most relevant for investors' decisions, and considerably cutting the recurring costs linked to product disclosures;
- (iii) setting up 3 categories for 'sustainable', 'transition', and 'other ESG' products (with the category names to be set in level 2 after consumer testing following co-legislators' agreement), covering a larger share of today's ESG financial products, ensuring a coherent set of EU rules for all ESG-focused products toward which end-investors interested in sustainability could be directed by distributors under subsequent changes to the delegated acts under MiFID and IDD. While some initial one off-costs from the creation of product categories are anticipated, recurring costs are expected to be lower than those of the current SFDR in the longer term and, overall, are offset by the savings achieved by the other elements of the review.

- **Regulatory fitness and simplification**

The combination of the preferred options has the potential to drastically simplify and improve the efficiency of the legislation. The proposal is directly relevant for SMEs who represent the majority of financial market participants in scope. Well over 25% of the estimated costs for SMEs with the current rules (about EUR 163 million of annual recurring costs, of which about EUR 43 million are for entity-level disclosures and EUR 120 million for product level disclosures) are expected to be reduced. The reduction of entity-level costs in the present proposal is certain with only minimal one-off costs, and while sufficient data could not be gathered on costs associated with the creation of product categories, it can be expected that more than 50% of product-level costs can be saved thanks to the significant reduction of product-level disclosures. In addition, SMEs would benefit more than proportionally from simplification as pronounced cost digression effects are observed, i.e. in relative terms SMEs incur much higher costs than larger firms due to certain minimum efforts that are necessary to build and maintain sustainability related disclosures.

³⁸ ESMA guidelines introduced minimum criteria for the use of certain key ESG terms in fund names. They constitute the latest regulatory guidance, after notably a prior reclassification of Article 9 funds in Q4 2022, having resulted in some relabelling and renaming of EU sustainable finance funds.

SMEs are also indirectly affected as investees, as they can, together with the safeguards of the Omnibus (value chain cap), benefit from the flow of funds and be included in products under a simple categorisation system.

In conclusion, the reduced administrative requirements linked to the removal of entity-level disclosures eliminates burdens estimated to account for 25% of the costs under the current rules, largely incumbent on FMPs which are SMEs. In addition, the simplification of product-level disclosures and introduction of product categories in line with market practices, which overall are estimated to allow cost savings are estimated to facilitate further overall burden reduction for SMEs toward the 35% target.

- **Fundamental rights**

The proposal promotes rights enshrined in the Charter of Fundamental Rights (the ‘Charter’). It has an impact on the integration of a high level of environmental protection (Article 37 of the Charter) as well as social cohesion (Article 36 of the Charter) and consumer protection Article 38 of the Charter) since its main objective is to protect the integrity of the EU single market for sustainable finance by ensuring requirements which mitigate risks of greenwashing, and to better help investors seize opportunities in sustainability-linked financial products.

4. BUDGETARY IMPLICATIONS

The proposal does not have a budgetary impact for the Commission.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The Commission will monitor the implementation of the changes proposed in the Regulation through established processes underway in particular with the European Supervisory Authorities and the Platform for Sustainable Finance (PSF).

Three years after the implementation of the Regulation the ESAs and the NCAs would be tasked to survey and assess the implementation costs linked to the new categorisation system. The Commission could also work with the ESAs to conduct regular assessments of occurrences of greenwashing and supervise sustainability related claims, and with the PSF to conduct a targeted analysis of the regime and assess the degree of uptake of the categorisation system and the implementation of simplified disclosures. Finally, the Commission would work with the ESAs and consumer associations to measure consumer satisfaction a few years after the implementation of the regime.

- **Detailed explanation of the specific provisions of the proposal**

Article 1 introduces the following amendments to Regulation (EU) 2019/2088:

- (1) Changes to the subject matter (Article 1 SFDR) to reflect the revised scope including the creation of categories for sustainability-related financial products.
- (2) Consequential changes to some definitions (Article 2 SFDR).
- (3) Deletion of Article 2a SFDR on the empowerment for ESAs to develop regulatory technical standards regarding the principle of do no significant harm.
- (4) Amendment of Article 3 to remove financial advisers from the scope.
- (5) Deletion of entity-level disclosure requirements in Articles 4 and 5.

- (6) Amendment of Article 6 notably to remove financial advisers from the scope.
- (7) Addition of new Article 6a on specific transparency restrictions for non-categorised products, as a result of point 8 below.
- (8) Creation of categories for financial products with transition (Article 7), other ESG (Article 8), or sustainable features (Article 9).
- (9) Addition of new Article 9a on financial products combining categorised products.
- (10) Amendment of Article 10 on website disclosures, including as a result of point 8.
- (11) Amendment of Article 11 on periodic disclosures, including as a result of point 8.
- (12) Change to Article 12, notably to remove financial advisers.
- (13) Addition of a new Article 12a on the use of data and estimates.
- (14) Amendments to Article 13 on marketing communications and naming rules, notably as a result of point 8.
- (15) Amendment of Article 14 to reflect the revised scope and preclude additional national level requirements.
- (16) Change to Article 15 to reflect revised scope.
- (17) Optional exemptions in Article 17 for specific types of products.
- (18) Revision to Article 18 (reporting by ESAs).
- (19) Consequential targeted changes to Article 18a (European single access point).
- (20) Changes to review clause (Article 19).
- (21) Addition of new Articles 19a and 19b (transitional provisions and Commission empowerment).

Article 2 amends Regulation (EU) No 1286/2014 notably by specifying disclosures to be included in the key information document for sustainability-related products to indicate which category they fall under.

Article 3 amends Regulation (EU) 2020/852 by deleting mandatory disclosure articles for financial products linked to shares of alignment with the EU Taxonomy.

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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 Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,
Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee³⁹,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The March 2018 Action Plan on Financing Sustainable Growth⁴⁰ set out a series of steps to help mobilise private capital towards more sustainable economic practices and improved sustainability-related risk management in the financial sector, in the wake of, notably, the Paris Agreement⁴¹ on climate change and the UN 2030 Agenda for Sustainable Development⁴². Among the ensuing actions, the Commission proposed, and co-legislators adopted Regulation (EU) 2019/2088 of the European Parliament and of the Council⁴³ to improve transparency on the consideration of sustainability risks and factors by financial market participants in financial services and financial products offered to investors.
- (2) The Communication on the European Green Deal⁴⁴ recalled the importance of ensuring the mobilisation of private finance towards the objective of transforming “the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy

³⁹ OJ C [...], [...], p. [...].

⁴⁰ Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions of 8 March 2018, *Action Plan: Financing Sustainable Growth* (COM(2018) 97 final).

⁴¹ The Paris Agreement, OJ L 282, 19.10.2016, pp. 4.

⁴² [Transforming our world: the 2030 Agenda for Sustainable Development | Department of Economic and Social Affairs](#)

⁴³ 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 (OJ L 317, 9.12.2019, p. 1, ELI: <http://data.europa.eu/eli/reg/2019/2088/oj>).

⁴⁴ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions of 11 December 2019, *The European Green Deal* (COM(2019) 640 final).

where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use”. The steps taken pursuant to the Green Deal have consistently affirmed the important role of private finance in helping to achieve climate neutrality in accordance with Regulation (EU) 2021/1119 of the European Parliament and of the Council⁴⁵, specific sectoral sustainability targets in that context⁴⁶, and the objectives of the REPowerEU plan⁴⁷ to accelerate the development of secure and sustainable energy in the Union and reduce dependency on imported fossil fuels. Unlocking and facilitating sustainability-oriented private funds is also central in the actions needed to boost Europe’s resilience in the face of climate change⁴⁸ and to support the plan for EU competitiveness and decarbonisation⁴⁹. It also contributes to boosting the defence industry of the Union⁵⁰ by ensuring that the sustainable finance framework does not prevent capital to be directed towards defence-related activities; and help contribute to delivering a more integrated single market for savings and investments to support economic growth, innovation and competitiveness in the Union⁵¹.

- (3) Regulation (EU) 2019/2088 has been instrumental in improving transparency as regards the opportunities and risks in investments supporting or integrating diverse sustainability-oriented aims and considerations. Financial market participants have a common set of principles and requirements for the provision of sustainability-related information regarding financial products and services they offer. Investors benefit from a structured framework for how that information is presented to them, helping competition, choice and comparability between financial products and services with sustainability-related features and aims. National competent authorities in charge of monitoring the compliance of financial market participants with the requirements of Regulation (EU) 2019/2088 have set up practices in relation to risks of greenwashing and developed a more common supervisory framework for their oversight.
- (4) Regulation (EU) 2019/2088, however, has been marked by implementation challenges both for financial market participants and for investors. A comprehensive assessment under Article 19 of the Regulation has found that, while its objectives remain broadly supported, its implementation is associated with considerable complexity and costs for

⁴⁵ Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (‘European Climate Law’), OJ L 243, 9.7.2021, p. 1, ELI: <http://data.europa.eu/eli/reg/2021/1119/oj>.

⁴⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 14 July 2021, *‘Fit for 55’: delivering the EU’s 2030 Climate Target on the way to climate neutrality* (COM/2021/550 final).

⁴⁷ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions of 18 May 2022, *REPowerEU Plan*, (COM/2022/230 final).

⁴⁸ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 12 March 2024, *Managing climate risks - protecting people and prosperity* (COM(2024) 91 final).

⁴⁹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *The Clean Industrial Deal: A Joint Roadmap for Competitiveness and Decarbonisation* (COM(2025) 85 final)

⁵⁰ Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 5 March 2024, *A new European Defence Industrial Strategy: Achieving EU readiness through a responsive and resilient European Defence Industry*, JOIN(2024) 10 final.

⁵¹ Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions, *Savings and Investments Union A Strategy to Foster Citizens’ Wealth and Economic Competitiveness in the EU* (COM(2025) 124 final) and

financial market participants. For investors, the information provided in accordance with Regulation (EU) 2019/2088 has not, on the whole, been sufficiently clear and effective in helping them understand and compare diverse sustainability-related financial products and services offered to them. Disclosures to investors under Articles 8 and 9 of Regulation (EU) 2019/2088 have also been used by the market in a misleading way to categorise financial products as sustainable despite the lack of criteria that could fit this purpose. Rather, disclosures under those Articles regarding, respectively, the promotion of environmental or social characteristics by some financial products, and the objective of sustainable investments by others, have been marked by varying interpretations and implementations by financial market participants, and insufficient clarity for investors. The consistency and coherence of supervisory practices and expectations has been impacted, marked by cases of divergent interpretation by national competent authorities, and the need to adapt to the introduction of new common guidelines for the use of environmental, social and governance terms in the names of investment funds (“ESMA guidelines on funds names”)⁵². Those implementation challenges have raised concerns of undue costs and burdens for the financial sector of the Union compared to international competitors, of lack of investor protection and risks of greenwashing, and differing national requirements and supervisory practices at odds with the integrity of the single market. Overall, the challenges are seen to limit the effectiveness of the framework in helping exploit the potential of the single market to mobilise and allocate private finance for the sustainable prosperity of the Union.

- (5) Regulation (EU) 2019/2088 is part of the wider sustainable finance framework, elements of which are undergoing targeted changes to simplify, streamline and reduce the burden of sustainability-related disclosures and requirements on Union undertakings, without undermining agreed policy objectives while ensuring a more cost-effective delivery of the overall ambition of the European Green Deal⁵³. Regulation (EU) 2019/2088 is interconnected with that wider framework and needs to be reviewed commensurately. The review of Regulation (EU) 2019/2088 has therefore been included among the simplification initiatives of the European Commission in the Mission Letter to the Commissioner for Financial Services and the Savings and Investments Union⁵⁴ and in the 2025 Commission Work Programme⁵⁵ to overcome the shortcomings associated with the implementation of Regulation (EU) 2019/2088, to significantly simplify administrative burdens in a coherent way with the rest of the Union sustainable finance framework, and to help investors efficiently understand and compare sustainability-related financial products in order to deploy investments towards the sustainability, competitiveness and other strategic policy goals of the Union.
- (6) Within that context, it is for the benefit of both investors and financial market participants to alleviate specific burdens flowing from Regulation (EU) 2019/2088 on financial market participants, in a coherent way with the wider sustainable finance framework, and to formalise a comprehensive categorisation regime for financial

⁵² ESMA, [Guidelines of 21 August 2024 on funds names using ESG or sustainability related terms](#), ESMA34-1592494965-657.

⁵³ Proposal for a Directive of the European Parliament and of the Council amending Directives (EU) 2022/2464 and (EU) 2024/1760 of 26 February 2025 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements (COM(2025) 80 final).

⁵⁴ Mission Letter of the President of the European Commission of 17 September 2024, [ac06a896-2645-4857-9958-467d2ce6f221_en](#).

⁵⁵ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 11 February 2025, *Commission work programme 2025 Moving forward together: A Bolder, Simpler, Faster Union*, (COM/2025/45 final).

products making sustainability-related claims. Those categories should set up a clear system according to which sustainability-related financial products should be clustered, in accordance with how those products claim to pursue or achieve specific sustainability-related objectives or integrate the consideration of specific sustainability-related factors.

- (7) It is necessary to adjust the scope of Regulation (EU) 2019/2088 and certain definitions therein to reflect those objectives. Regulation (EU) 2019/2088 should continue to require financial market participants to consider how sustainability risks affect both the financial products they offer to investors and the governance aspects linked to their remuneration policies. Beyond these considerations, Regulation (EU) 2019/2088 should, however, focus exclusively on the specific requirements and associated disclosures applicable to financial market participants which manufacture, manage or make available sustainability-related financial products, particularly those that reference sustainability-related elements in their names or marketing documentation to end-investors. Financial advisers providing investment advice do not manufacture or manage sustainability-related financial products, nor do they make such products available to investors. For that reason, financial advisers providing investment advice should be carved out of the scope of Regulation (EU) 2019/2088 altogether. The same applies to the service of portfolio management.
- (8) The definition in Article 2, point (17), of Regulation (EU) 2019/2088 of sustainable investment has generated a considerable number of practical implementation challenges and concerns, queries to supervisors about interpretation and their expectations, and wide divergence in practical application. Practitioners also perceive duplication and coherence issues with comparable concepts elsewhere in the sustainable finance framework with a slightly different meaning, including those under Regulation (EU) 2020/852 of the European Parliament and of the Council⁵⁶, and undue constraints for investments targeting the transition of undertakings or economic activities towards sustainability in accordance with the policy outlined by the Commission in 2023⁵⁷. At the same time, the definition of sustainable investment in Regulation (EU) 2019/2088 is used by financial market participants in the design of financial products and the communication with end-investors. The practical application of the term should thus be facilitated by deleting it as a mere definition, thus overcoming the uncertainty in aligning practices with it, and instead embedding the underlying concepts in a simplified form in the concrete requirements for the categories of sustainability-related financial products. Therefore, the concepts of ‘contribution to an environmental and social objective’, of ‘do not significant harm’, and of ‘good governance practices’ should be kept under the requirements of each category. That would ensure continuity, simplified application and improved certainty for financial market participants.
- (9) The criteria for the categories of sustainability-related financial products should simplify the way financial products today using the sustainable investment definition are required to ensure that their investments do no significant harm to the environmental or social objective pursued. The current approach mandates financial market participants to consider the principal adverse impact indicators on sustainability factors,

⁵⁶ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, pp. 13, ELI: <http://data.europa.eu/eli/reg/2020/852/oj>).

⁵⁷ Commission Recommendation (EU) 2023/1425 of 27 June 2023 on facilitating finance for the transition to a sustainable economy (C/2023/3844) (OJ L 174, 7.7.2023, p. 19.).

currently set out in Commission Delegated Regulation (EU) 2022/1288⁵⁸. Feedback received during the targeted and open public consultations, the technical workshops and roundtables, the Commission expert group's reports, the opinion of the European Supervisory Authorities, and the call for evidence, highlights that this approach has not led to a robust or comparable mechanism to ensure no harm. Therefore, it is proposed to replace the current approach by mandating financial market participants to apply a common set of clear exclusions covering practices and sectors which are commonly agreed to be most harmful. This would ensure a comparable and clear approach to ensure no harm. Such approach has been considered successful and effective under the implementation of Commission Delegated Regulation (EU) 2020/1818. Such exclusions should ensure continuity with the existing regulatory framework, including with the exclusions laid down in Commission Delegated Regulation (EU) 2020/1818 and in the ESMA guidelines on funds names, should rely on data available from non-financial companies or data that can be reasonably estimated by financial market participants, and should reflect the politically agreed environment and social goals.

- (10) The proposal for a Directive of the European Parliament and of the Council amending Directives (EU) 2022/2464 and (EU) 2024/1760⁵⁹ aims at an overall simplification and burden-reduction of sustainability disclosures. That same aim justifies focussing the scope of Regulation (EU) 2019/2088 more clearly on sustainability-related financial products and on the financial market participants which manufacture, manage or make those products available to investors. In addition, Directive (EU) 2022/2464 already sets horizontal entity level disclosures covering all sectors. It therefore follows that the specific requirements for financial market participants to make disclosures on their consideration of those impacts and indicators in their investment decisions at the level of the entity should be deleted not to duplicate with the ones set by Directive (EU) 2022/2464.
- (11) Financial market participants are not prohibited from referring to information on sustainability aspects of an ancillary nature in the regulatory disclosures related to financial products other than those categorised as sustainability-related financial products. Such information should be fair, clear and not misleading. However, to protect investors and distinguish clearly between non-categorised and categorised financial products, such information should not constitute a prominent element in those disclosures, should not feature in the name or marketing communications of such financial products. In addition, for financial products that are categorised as sustainability-related financial products, financial market participants should ensure that the claims in the regulatory and marketing documentations and names of their sustainability-financial products are consistent with the category under which they fall and their strategies.

⁵⁸ Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports (OJ L 332, 27.12.2022, p. 1, ELI: http://data.europa.eu/eli/reg_del/2022/1288/oj).

⁵⁹ Proposal for a Directive of the European Parliament and of the Council amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements (COM/2025/80 final).

- (12) Building on the feedback received during the targeted and open public consultations, the technical workshops and roundtables, the Commission expert group' reports and the call for evidence, as well as evidence of investor preferences in diverse consumer studies, three categories for sustainability-related financial products should be set up and these should be underpinned by clear criteria. This approach would also be consistent with recent regulatory guidance by the European Securities and Markets Authority⁶⁰. To give investors a clear choice, financial products that have been categorised as sustainability-related financial products should be distinguished in terms of whether their main objective is to pursue an environmental or social sustainability objective, to support an environmental or social transition-related objective, or to integrate other sustainability considerations as part of their strategy. Such categories should help distributors identify the products that match their clients' sustainability preferences and perform their target market assessment, and should therefore be reflected in the rules applicable to distributors.. This would provide end-investors with a clear understanding of the main features and ambitions of sustainability-related products.
- (13) To help comparability and boost integrity, a common portion of investments by financial products in each category should be made in accordance with the sustainability-related claims, meaning the objective that is pursued or the sustainability-related considerations that are applied, while the remaining investments could be allocated freely based on, variously, diversification, hedging or liquidity needs. The latter should not contradict the sustainability-related claims of the financial product. To guide financial market participants and provide them with certainty, specific investment approaches for financial products should be identified by the regulators per category and objective, but without excluding other possible approaches in each case under the conditions that these approaches provide for the same level of sustainability-related ambition.
- (14) Pre-contractual and periodic disclosures for financial products that are categorised as sustainability-related product should contain all relevant information about the objective, strategy, and investment approaches to comply with the 70% requirement, chosen indicators for measuring performance, compliance with applicable exclusions, and relevant data sources used to inform the design, compliance and measurement of the criteria applicable to the financial product. These disclosures should allow end-investors to understand the specific characteristics of each sustainability-related financial products, to compare them and to understand whether they fit their sustainability preferences.
- (15) One of the categories of financial products that are sustainability-related financial products should consist of financial products that aim to support the transition of undertakings, economic activities and other assets towards more sustainable business practices. Feedback received during the targeted and open public consultations, the technical workshops and roundtables, the Commission expert group' reports and the call for evidence, as well as evidence of investor preferences in diverse consumer studies, highlights the challenges arising from the lack of recognition of transition finance in the definition in Article 2, point (17), of Regulation (EU) 2019/2088 of sustainable investment. These include difficulties for financial market participants wanting to pursue and disclose transition-related strategies and confusion and lack of appropriate disclosures for end-investors interested in investing in products with transitional objective. The public consultations confirmed to a large degree the support for creating

⁶⁰ [ESMA, Guidelines of 21 August 2024 on funds names using ESG or sustainability related terms, ESMA34-1592494965-657.](#)

a specific category for transition products, including as an inclusive strategy to focus on efforts to improve companies' performance regardless of their starting points and to help operationalise the concept of 'transition finance' developed under the Commission 2023/1425 Recommendation on transition finance. This category should bolster the visibility, transparency and integrity of financial products which have as an objective to target investments according to specific investment approaches towards helping fund improvements in the environmental or social performance of diverse undertakings, economic activities and other assets in accordance with Union objectives, and ensuring the exclusion of activities which are commonly agreed to be harmful and which categorised transition-related financial products cannot invest in. This category should therefore capture financial products with a high level of ambition in that regard, selecting notably investments based on proven standards and tools, including centred on strategies tracking EU Climate Transition benchmarks in accordance with Regulation (EU) 2016/1011 of the European Parliament and of the Council⁶¹, and on investing in transitional economic activities in accordance with Regulation (EU) 2020/852. This category should also capture financial products with a transition-related performance set at the level of the portfolio, such as reducing portfolio financed emission over time, under the condition that the underlying investments are coherent with the transition-related objective of the products.

- (16) Another category of financial products that are sustainability-related financial products should consist of financial products the strategy or design of which is based on sustainability factors. It should cater for investments which do not specifically pursue a sustainability or transition related objective, but however apply a credible environmental, social or governance related approach. Feedback received during the targeted and open public consultations, the technical workshops and roundtables, the Commission expert group' reports and the call for evidence, as well as evidence of investor preferences in diverse consumer studies, highlights the need to cater for such financial products to allow for innovative sustainability approaches and for end-investor preferences which include products avoiding harmful investments. Financial products in this category should exclude investments in activities which are commonly agreed to be harmful.
- (17) Another category of financial products should consist of financial products that pursue or positively contribute to environmental or social objectives. Environmental objectives should be understood within the meaning of Article 9 of Regulation (EU) 2020/852 to encourage investments contributing to climate change mitigation and adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, to pollution prevention and control, and the protection and restoration of biodiversity and ecosystems. This category should capture financial products with a high level of ambition in that regard, selecting notably investments based on proven standards and tools, including centred on strategies replicating or managed in reference to an EU Paris-aligned benchmarks in accordance with Regulation (EU) 2016/1011 of the European Parliament and of the Council⁶², on investing in sustainable economic

⁶¹ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1, ELI: <http://data.europa.eu/eli/reg/2016/1011/oj>).

⁶² Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1, ELI: <http://data.europa.eu/eli/reg/2016/1011/oj>).

activities in accordance with Regulation (EU) 2020/852, on investing in instruments issued in accordance with Regulation (EU) 2023/2631 of the European Parliament and of the Council⁶³, and on investments in support of EU issuances and funds backed by the EU budget with environmental and social objectives. Accordingly, the exclusions for financial products in that category should extend beyond those for the other two categories and encompass activities where the value chain is associated with fossil fuels, including the expansion of fossil fuels.

- (18) Within the categories of products with sustainability and transition-related objectives, recognition should be given to the practice of impact investing. Acknowledging the specific characteristics of impact investing, including the objective of intentionality and targeting measurable change in specific pre-defined environmental or social areas with an upfront theory of change and with reporting on the outcomes, helps to promote the contribution which impact investing can make to addressing various environmental and social needs. Specific disclosures should therefore apply to financial products that are categorised as sustainability-related financial products with sustainability or transition-related objectives and that have impact as understood for these type of investment practices, and the use of the term ‘impact’ in the names of financial products should be restricted accordingly.
- (19) There are currently no comprehensive metrics for gauging the sustainability of general purpose sovereign, sub-sovereign and supranational debt issuances. Investments in such debt issuances should therefore be excluded from counting towards the contribution of financial products to sustainability or transition related objectives. Without affecting the treatment or inclusion of those debt issuances among investments by financial products in general, investments in such debt issuances should thus be excluded from qualifying for the numerator of the portion of investment that needs to be reached by financial products that are categorised as sustainability-related financial products and that contribute to a sustainability or transition related objective. That should not preclude financial market participants from including those debt issuances in the numerator of financial products that are categorised as sustainability-related financial products that integrate one or more ways of considering sustainability factors as part of the strategy and design of the financial product, using available methodologies that are appropriate to assess the sustainability of those investments for that purpose. In contrast, investments in financial instruments issued by sovereigns, sub-sovereigns and supranationals, where the use of proceeds is known, where those instruments support specific sustainability aims, and provided that those financial instruments do not directly or indirectly fund activities that are excluded from investments by financial products that are categorised as sustainability-related financial products, should be included in the numerator of all categorised financial products. This balanced approach would allow sustainability-related financial products to continue to fund public projects and activities related to sustainability, while providing safeguards to potential greenwashing risks. Further, the exclusions regarding investments which financial products that are categorised as sustainability-related financial products cannot make, apply to companies, and not to sovereigns, sub-sovereigns and supranationals. Those exclusions therefore do not restrict investments in debt issuances by sovereigns, sub-sovereigns and supranationals, which can thus feature in the denominator of those financial products,

⁶³ Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds (OJ L, 2023/2631, 30.11.2023, ELI: <http://data.europa.eu/eli/reg/2023/2631/oj>).

including notably debt issuances by Union Member States, Union-level bodies and other public sector entities not subject to any applicable Union-level financial sanctions. Financial market participants should ensure that investments in public sector debt by categorised financial products are consistent with the stated sustainability-related objective or strategy of those products to avoid greenwashing risks and be aligned with end-investors' expectations.

- (20) The creation of categories for sustainability-related financial products requires provisions that determine how other financial products which invest in categorised financial products should disclose information about those investments. To ensure comparability, such disclosure should include how much these financial products have invested in financial products that are categorised as sustainability-related financial products and how much in non-categorised products. That should help financial market participants inform their clients on the sustainability-related elements of these products in a more harmonised way.[will be finalised during the ISC]
- (21) The wide range of potential investable assets for financial products that can be categorised as sustainability-related financial products means that there will continue to be certain data gaps in relation to sustainability data from investees and other assets. It is therefore appropriate to formalise and improve transparency about the use of estimates by financial market participants, without however imposing new requirements on third party sustainability data providers. Notably, proportionate steps should be introduced whereby financial market participants are to document their use of data sources and their use of external and in-house estimates, and are to provide their clients with information on such use upon request.
- (22) To help promote the functioning of the single market for sustainability-related financial products, as part of deeper and more integrated financial markets to mobilise savings and investments across the Union in support of competitiveness, environmental and social objectives, Member States and national competent authorities should not set or apply additional requirements as regards the consideration and disclosures of sustainability risks, or as regards the criteria, procedures, and disclosures concerning the categorisation of sustainability-related financial products.
- (23) Where existing financial products are closed to new investors and would no longer be offered to investors after the date of application of this Regulation, for reasons of proportionality financial market participants should be able opt out of applying this Regulation to those financial products. The same should apply for alternative investment funds which are offered exclusively to professional investors given that they may not be marketed widely beyond a smaller community of investors so information asymmetries are less likely to manifest.
- (24) In order to specify the new requirements, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of specifying the names of the categories for sustainability-related financial products, detailed criteria for the categorisation of financial products as sustainability-related products, and disclosure templates for such financial products. It is of particular importance that the Commission carries out appropriate consultations during its preparatory work, including with the European Supervisory Authorities established by Regulation (EU) No 1093/2010 of the European Parliament and of the

Council⁶⁴, Regulation (EU) No 1094/2010 of the European Parliament and of the Council⁶⁵, and Regulation (EU) No 1095/2010 of the European Parliament and of the Council⁶⁶, and with the Member States Expert Group on sustainable finance. The European Supervisory Authorities should also support the Commission in conducting appropriate testing of consumers and investors to ensure that the names of the categories and associated details are easily understandable in all official languages of the Union. Those consultations should be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making⁶⁷. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council should receive all documents at the same time as Member States' experts, and their experts should systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts (to be adjusted after discussing with SJ).

- (25) The amendments to Regulation (EU) 2019/2088 should be reflected in Regulation (EU) No 1286/2014 of the European Parliament and of the Council⁶⁸ and in Regulation (EU) 2020/852. Notably, the key information document accompanying products categorised under Regulation (EU) 2019/2088, as amended, should contain information on the category, a description of its objective, and relevant indicators. Following the changes in how sustainability-related financial products should consider and disclose their investments, the requirements in Regulation (EU) 2020/852 to do so in relation to proportions invested in environmentally sustainable activities under that Regulation should be deleted.
- (26) To monitor the implementation of this Regulation, as well as to monitor and possibly cater for market evolution and innovation, the European Supervisory Authorities should take stock of the market for sustainability-related financial products and deliver a report to the Commission on best practices every two years. This would allow for both encouraging best practices and monitor the need for any adjustment for the underlying criteria of the sustainability categories.
- (27) Financial market participants shall start applying this Regulation 12 months after the date of application of this Regulation for IBIP, pension products, pension schemes and PEPP. These products are not subject to the ESMA guidelines on funds names and therefore will require more time to implement the new underlying criteria, especially to implement the exclusions.

⁶⁴ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12, ELI: <http://data.europa.eu/eli/reg/2010/1093/oj>).

⁶⁵ Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48, ELI: <http://data.europa.eu/eli/reg/2010/1094/oj>).

⁶⁶ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84, ELI: <http://data.europa.eu/eli/reg/2010/1095/oj>).

⁶⁷ Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on Better Law-Making (OJ L 123, 12.5.2016, p. 1, ELI: http://data.europa.eu/eli/agree_interinstit/2016/512/oj).

⁶⁸ Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (OJ L 352, 9.12.2014, pp. 1, ELI: <http://data.europa.eu/eli/reg/2014/1286/oj>).

- (28) Since the objectives of this Regulation, namely to strengthen protection for end investors and improve disclosures to them, including in cases of cross-border purchases by end investors, cannot be sufficiently achieved by the Member States but can rather, by reason of the need to lay down uniform disclosure requirements, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.
- (29) Regulation (EU) 2019/2088, Regulation (EU) No 1286/2014 and Regulation (EU) 2020/852 should therefore be amended accordingly,

HAVE ADOPTED THIS REGULATION:

Article 1

Amendments to Regulation (EU) 2019/2088

Regulation (EU) 2019/2088 is amended as follows:

- (1) Article 1 is replaced by the following:

‘Article 1

Subject matter

This Regulation lays down harmonised rules for financial market participants on:

- (a) transparency with regard to the provision of sustainability-related information, including the integration of sustainability risks with respect to the investment decision-making process of those financial market participants and the financial products they offer to investors;
 - (b) the categorisation of, and transparency with regard to, financial products as sustainability-related financial products.’;
- (2) Article 2 is amended as follows:
- (a) point (1) is amended as follows:
 - (i) point (b) is deleted;
 - (ii) point (j) is deleted;
 - (b) points (5) and (6) are deleted;
 - (c) point (11) is deleted;
 - (d) in point (12), point (a) is deleted;
 - (e) points (16) and (17) are deleted;
 - (f) points (20) and (21) are deleted;
 - (g) the following points (25), (26) and (27) are added:
 - ‘(25) ‘sustainability-related financial product’ means a financial product that is categorised in accordance with Article 7, 8 or 9;
 - (26) ‘sustainability-related financial product with impact’ means a financial

product categorised in accordance with Article 7 or 9 that has as its objective the generation of a pre-defined, positive and measurable social or environmental impact, and with investments directed towards undertakings, economic activities, or other assets which provide solutions to address specific social or environmental challenges; and

(27) 'public sector entities' means central governments or central banks, regional governments or local authorities, multilateral development banks as referred to in Article 117 of Regulation (EU) No 575/2013 of the European Parliament and of the Council^{*1}, and international organisations as referred to in Article 118 of that Regulation.';

^{*1} Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1, ELI: <http://data.europa.eu/eli/reg/2013/575/oj>);

(3) Article 2a is deleted;

(4) Article 3 is replaced by the following:

'Article 3

Transparency on sustainability risk policies in relation to the integration of sustainability risks

Financial market participants shall publish on their website information about their policies on the integration of sustainability risks in their investment decision-making process.';

(5) Articles 4 and 5 are deleted;

(6) Article 6 is amended as follows:

(a) the title is replaced by the following:

'Transparency on the integration of sustainability risks in pre-contractual disclosures for all financial products';

(b) paragraph 2 is deleted;

(c) paragraph 3 is amended as follows:

(i) the introductory wording is replaced by the following:

'The information referred to in paragraph 1 shall be disclosed in the following manner:';

(ii) points (h), (i) and (j) are deleted;

(7) the following Article 6a is inserted:

'Article 6a

Voluntary transparency on the integration of sustainability factors in pre-contractual disclosures for products that are not categorised as sustainability-related financial products

1. Financial market participants shall not be prevented from including in the pre-contractual documentation of financial products other than those categorised as sustainability-related financial products pursuant to Articles 7, 8 or 9, information on

whether and how those financial products consider sustainability factors or sustainability risks, provided that such information:

- (a) is not used in the name or marketing communications of the financial product, as set out in Article 13(2);
- (b) is not a central element of the pre-contractual disclosures of the financial product;
- (c) is not included in the KIID as referred to in^{*2};
- (d) does not constitute claims within the meaning of Article 7(1), Article 8(1) or Article 9(1).

For the purposes of the first subparagraph, point (b), the information shall be considered not be a central element where it is secondary to the presentation of the product characteristics both in terms of breadth and positioning in the document, neutral, and limited to less than 10% of the volume occupied by the presentation of the financial product's investment strategy.

- 2. The information referred to in the first subparagraph shall be disclosed in the manner laid down in Article 6(3).

^{*2} [Reference to PRIIPS or UCITS Delegated Regulation, as the case may be.]

- (8) Articles 7, 8 and 9 are replaced by the following:

'Article 7

Criteria for claiming that a financial product has a transition-related objective, and transparency requirements for such financial products

1. Financial market participants shall not claim that their financial products invest in the transition of undertakings, economic activities, or other assets towards sustainability, or contribute to such transition, unless those financial products meet the following conditions:

- (a) they have a 70% threshold linked to the proportion of investments to meet a clear and measurable transition objective in accordance with the binding elements of the investment strategy of the financial product, measured using credible sustainability-related indicator(s);
- (b) they exclude investments in companies as referred to in Article 12(1), points (a), (b) and (c), of Commission Delegated Regulation (EU) 2020/1818^{*2}, with the exception of investments in use of proceeds instruments issued by companies:
 - (i) in accordance with Article 3 of Regulation (EU) 2023/2631 of the European Parliament and of the Council^{*3};
 - (ii) where the proceeds do not fund any underlying activities as referred to in Article 12(1), points (a) and (b), of Delegated Regulation (EU) 2020/1818, provided that the issuer of the use of proceeds instruments is not excluded under Article 12, point (c), of that Regulation.

The conditions described under the first subparagraph, points (a) and (b), shall be considered to be met for financial products that replicate or are managed in reference to an EU climate transition benchmark that complies with the requirements laid down

in Section 2 of Commission Delegated Regulation (EU) 2020/1818^{*4}, or an EU Paris-aligned benchmark that complies with the requirements laid down in Section 3 of that Delegated Regulation.

The conditions described under the first subparagraph, point (a) shall be considered met for financial products with a proportion of investments in taxonomy-aligned economic activities, as defined in Article 1, point (2), of Delegated Regulation (EU) 2021/2178, equal or higher than 15%.

The first subparagraph, point (a) shall not include investment in issuances by public sector entities, with the exception of the use of proceeds instruments issued by public sector entities:

- (a) in accordance with Article 3 of Regulation (EU) 2023/2631;
- (b) where the proceeds do not fund any underlying activities excluded Article 12(1), points (a) to (b), of Delegated Regulation (EU) 2020/1818 or companies excluded under Article 12, point (c), of that Regulation.

2. Investments by financial products as referred to in paragraph 1, first subparagraph, point (a), shall include any of the following:

- (a) investments in portfolios replicating or managed in reference to an EU climate transition benchmark or EU Paris-aligned benchmark ('EU climate benchmarks');
- (b) investments in taxonomy-aligned economic activities as defined in Article 1, point (2), of Commission Delegated Regulation (EU) 2021/2178^{*5}, including:
 - (i) transitional economic activities as referred to in Article 10(2) of Regulation (EU) 2020/852;
 - (ii) taxonomy-eligible economic activities as defined in Article 1, point (5), of Delegated Regulation (EU) 2021/2178, provided they become taxonomy-aligned over a period of maximum 5 (exceptionally 10) years;
- (c) investments in undertakings or economic activities with a credible transition plan as regards at least one sustainability factor at the level of the undertaking or at activity level respectively, proportionate to the size of the undertaking;
- (d) investments in undertakings or economic activities with credible science-based targets that are supported by information ensuring integrity, transparency and accountability;
- (e) investments accompanied with a credible sustainability-related engagement strategy, targeting specific changes with defined milestones and measured with reference to those targets and milestones, and integrating escalation actions in case the expected changes do not happen;
- (f) investments pursuant to Article 9(2) in combination with any of those referred to in points (a) to (e);
- (g) investments following a transition target calculated at the level of the proportion of investments used to meet the transition objective referred to in paragraph 1, first subparagraph, point (a);
- (h) other investments in the transition of undertakings, economic activities or other assets or to contribute to the transition to sustainability, provided proper justification is included in the disclosures required pursuant to paragraph 3.

3. For the financial products referred to in paragraph 1, first subparagraph, financial market participants shall disclose the following information:

- (a) a statement that the financial product meets the conditions laid down in paragraph 1;
- (b) a description of the transition-related objective(s) to which the financial product contributes;
- (c) a description of:
 - (i) the transition-related strategy of the financial product to comply with paragraph 1, first subparagraph, point (a);
 - (ii) the applicable choice of investments referred to in paragraph 2;
 - (iii) any applicable phase-in period for the product to reach the threshold referred to in paragraph 1, first subparagraph, point (a);
- (d) the sustainability-related indicator(s) used by the financial market participant referred to in paragraph 1, first subparagraph, point (a), for measuring compliance with the strategy and progress toward the objective, together with information on actions to address any underperforming assets in terms of the objective and chosen indicator(s);
- (e) a statement that the financial market participant complies with paragraph 1, first subparagraph, point (b) and any additional applicable exclusions of investments determined by the financial market participant for the financial product;
- (f) data sources used to inform points (b) to (e).

The information referred to in the first subparagraph shall be disclosed in the manner laid down in Article 6(3).

4. For financial products with a transition objective falling within the meaning of Article 2, point (26), the information to be disclosed shall also contain:

- (a) the intended impact(s) in terms of specified environmental or social objectives, underpinned by a pre-set impact theory and expressed in terms of key performance indicator(s);
- (b) provisions to measure, manage, and report on the desired impact pursuant to point (a), including in terms of investments by the financial product and the contribution of investors in the financial product.

5. The Commission shall be empowered to adopt a delegated act in accordance with Article 19b to supplement paragraphs 1, 2, 3 and 4 to specify:

- (a) the name of the category for financial products with a transition-related objective;
- (b) the conditions for investments to contribute to the transition-related objective, and more in particular to specify:
 - (i) the indicator(s) referred to in paragraph 1, first subparagraph, point (a), for voluntary use by financial market participants building on the existing indicators referred to in Annex I to Commission Delegated Regulation (EU) 2022/1288^{*6} and Commission Delegated Regulation (EU) 2023/2772 [*to be adapted to the new CSRD delegated act*]^{*7};

- (ii) any limited permitted deviations from the exclusions referred to in paragraph 1, first subparagraph, point (b), for the purposes of hedging;
 - (iii) the methodologies to calculate the threshold referred to in paragraph 1, first subparagraph, point (a), including the shares of investments referred to in paragraph 1, first subparagraph, to which the chosen indicator(s) may apply, and any applicable phase-in period for the product to reach the threshold referred to in paragraph 1, first subparagraph, point (a);
 - (iv) the conditions for investments referred to in paragraph 2 to qualify as contributing to the transition-related objective.
- (c) the details of the presentation of the information to be disclosed pursuant to paragraph 3, whereby such presentation shall not exceed two pages.;

Article 8

Criteria for claiming that a financial product integrates sustainability factors, and transparency requirements for such financial products

1. Financial market participants shall not claim that their financial products, other than those referred to in Articles 7 and 9, integrate sustainability factors in their investment strategy beyond risk management considerations, unless those financial products meet the following conditions:

- (a) they have a 70% threshold linked to the proportion of investments integrating the sustainability factors in accordance with the binding elements of the investment strategy of the financial product, measured using credible sustainability-related indicator(s);
- (b) they exclude investments in companies as referred to in Article 12(1), points (a), (b) and (c), of Delegated Regulation (EU) 2020/1818, with the exception of investments in use of proceeds instruments issued by companies:
 - (i) in accordance with Articles 3 of Regulation (EU) 2023/2631; or
 - (ii) where the proceeds do not fund any underlying activities excluded under Article 12(1), points (a) and (b), of Delegated Regulation (EU) 2020/1818, provided that the issuer of the use of proceeds instruments is not excluded under Article 12, point (c); of that Delegated Regulation.

2. Investments by financial products as referred to in paragraph 1, first subparagraph, point (a), shall include any or a combination of the following:

- (a) investments with an ESG rating as defined by Regulation 2024/3005 that outperforms the average rating of the investment universe or the reference benchmark;
- (b) investments that outperform the average investment universe or reference benchmark on a specific sustainability indicator;
- (c) investments that favour undertakings or economic activities with a proven positive track record in terms of processes, performance or outcomes related to sustainability factors;

- (d) a combination of investments pursuant to Article 7(2) or Article 9(2) of this Regulation and the investments referred to in points (a), (b) and (c) of this paragraph;
 - (e) other investments integrating sustainability factors beyond risk management considerations, provided proper justification is included in the disclosures required pursuant to paragraph 3.
3. For financial products as referred to in paragraph 1, financial market participants shall disclose the following information:
- (a) a statement that it meets the conditions of paragraph 1;
 - (b) a description of the sustainability factors that the financial product integrates;
 - (c) a description of:
 - (i) the strategy of the financial product to comply with paragraph 1, first subparagraph, point (a);
 - (ii) the applicable choice of investments referred to in paragraph 2;
 - (iii) any applicable phase-in period for the product to reach the threshold referred to in paragraph 1, first subparagraph, point (a);
 - (d) the sustainability-related indicator(s) used by the financial market participant referred to in paragraph 1, first subparagraph, point (a), for measuring compliance with the strategy and progress toward the objective, together with information on actions to address any underperforming assets in terms of the objective and chosen indicator(s);
 - (e) a statement that the financial product complies with paragraph 1, first subparagraph, point (b), and any additional exclusion of investments determined by the financial market participant for the financial product;
 - (f) data sources used to inform points (b) to (e).

The information referred to in the first subparagraph shall be disclosed in the manner laid down in Article 6(3).

4. The Commission shall be empowered to adopt a delegated act in accordance with Article 19b to supplement paragraphs 1, 2 and 3 to specify:

- (a) the name of the category for financial products integrating sustainability factors;
- (b) the conditions for investments to integrate sustainability factors, and in particular to specify:
 - (i) the indicator(s) referred to in paragraph 1, first subparagraph, point (a), for voluntary use by financial market participants building on the existing indicators under Annex I to Delegated Regulation (EU) 2022/1288 and Delegated Regulation (EU) 2023/2772^{*7} [*to be adapted to the new CSRD delegated act*];
 - (ii) any limited permitted deviations from the exclusions referred to in paragraph 1, first subparagraph, point (b), for the purposes of hedging;
 - (iii) the methodologies to calculate the threshold referred to in paragraph 1, first subparagraph, point (a), including the shares of investment referred to

- in paragraph 1 to which the chosen indicator(s) may apply, and any applicable phase-in period for the product to reach the threshold referred to in paragraph 1, first subparagraph, point (a);
- (iv) the conditions for the investment approaches referred to in paragraph 2 to qualify as integrating sustainability factors.
- (c) the details of the presentation of the information to be disclosed pursuant to paragraph 3, whereby such presentation shall not exceed two pages.’;

Article 9

Criteria for claiming that a financial product has a sustainability-related objective, and transparency requirements for such financial products

1. Financial market participants shall not claim that their financial products invest in sustainable undertakings, sustainable economic activities, or other sustainable assets, or contribute to sustainability, unless those financial products meet the following conditions:

- (a) they have a 70% threshold linked to the proportion of investments to meet clear and measurable sustainability-related objectives in accordance with the binding elements of the investment strategy of the financial product, measured using credible sustainability-related indicators;
- (b) they exclude investments in companies referred to in Article 12(1) of Delegated Regulation (EU) 2020/1818;
- (c) they exclude investments in companies that:
 - (i) develop new projects for the exploration, extraction, distribution or refining of hard coal and lignite, oil fuels or gaseous fuels;
 - (ii) develop new projects for, or do not have a plan to phase-out from, the exploration, mining extraction, distribution, refining or exploitation of hard coal or lignite for power generation.

The conditions referred to in the first subparagraph shall be considered met for financial products that replicate or are managed in reference to an EU Paris-aligned benchmark that complies with the requirements laid down in Section 3 of Delegated Regulation (EU) 2020/1818.

The conditions described under the first subparagraph, point (a) shall be considered met for financial products with a proportion of investments in taxonomy-aligned economic activities, as defined in Article 1, point (2), of Delegated Regulation (EU) 2021/2178, equal or higher than 15%.

The financial products referred to in the first subparagraph, point (a), shall not include investments in issuances by public sector entities, with the exception of use of proceeds instruments issued by public sector entities:

- (a) in accordance with Article 3 of Regulation (EU) 2023/2631;
- (b) where the proceeds do not fund:

- (i) any underlying activities excluded under Article 12(1), points (a) and (b), and (d) to (g), of Delegated Regulation (EU) 2020/1818 or in the first subparagraph, point (c);
- (ii) companies excluded under Article 12(1), point (c), of Delegated Regulation (EU) 2020/1818.

The first subparagraph, points (b) and (c), shall not apply to investments in use of proceeds instruments issued by companies:

- (a) in accordance with Article 3 of Regulation (EU) 2023/2631;
- (b) where the proceeds do not fund any underlying activities as referred to in Article 12(1), points (a) and (b), and (d) to (g), of Delegated Regulation (EU) 2020/1818 or the first paragraph, point (c), provided that the issuer of the use of proceeds instruments is not excluded under Article 12(1), point (c), of Delegated Regulation (EU) 2020/1818.

2. Investments by financial products as referred to in paragraph 1, point (a), shall include any or a combination of the following:

- (a) investments in portfolios replicating or managed in reference to an EU Paris-aligned benchmark;
- (b) investments in taxonomy-aligned economic activities as defined in Article 1, point (2), of Delegated Regulation (EU) 2021/2178;
- (c) investments in instruments issued in accordance with Articles 3 of Regulation (EU) 2023/2631;
- (d) investments and co-investments in Union issuances and funds backed by the EU budget with environmental, social and governance objectives;
- (e) investments in comparable assets to those referred to in points (a) to (c), provided that a proper justification of their high level of performance in terms of sustainability standards is included in the disclosures required pursuant to paragraph 3;
- (f) other investments in sustainable undertakings, economic activities or other assets or contributing to sustainability, provided that a proper justification is included in the disclosures required pursuant to paragraph 3.

3. For financial products as referred to in paragraph 1, financial market participants shall disclose the following information in the manner laid down in Article 6(3):

- (a) a statement that the financial product meets the conditions of paragraph 1;
- (b) a description of the sustainability-related objective(s) to which the financial product contributes;
- (c) a description of:
 - (i) the strategy of the financial product to comply with paragraph 1, point (a);
 - (ii) the applicable choice of investments referred to in paragraph 2;
 - (iii) any applicable phase-in period for the product to reach the threshold referred to in paragraph 1, point (a);
- (d) the sustainability-related indicator(s) used by the financial market participant referred to in paragraph 1, point (a), for measuring compliance with the

strategy and progress toward the objective, together with information on actions to address any underperforming assets in terms of the objective and chosen indicator(s);

- (e) a statement that the financial market participant complies with paragraph 1, points (b) and (c), and any additional applicable exclusion of investments determined by the financial market participant for the financial product;
- (f) data sources used to inform points (b) to (e).

The information referred to in the first subparagraph shall be disclosed in the manner laid down in Article 6(3).

4. For financial products with a sustainability objective falling within the meaning of Article 2, point (26), the information to be disclosed shall also include:

- (a) the intended impact(s) in terms of specified environmental or social objectives, underpinned by a pre-set impact theory and expressed in terms of key performance indicator(s); and
- (b) provisions to measure, manage and report on the desired impact pursuant to point (a), including in terms of investments by the financial product and the contribution of investors in the financial product.

5. The Commission shall be empowered to adopt a delegated act in accordance with Article 19b to supplement paragraphs 1, 2, 3 and 4 to:

- (a) specify the name of the category for financial products with a sustainability objective;
- (b) specify the conditions for investments to contribute to the sustainability-related objective, and in particular:
 - (i) the indicator(s) referred to paragraph 1, point (a), for voluntary use by financial market participants building on the existing indicators under Annex I to Delegated Regulation (EU) 2022/1288 and Delegated Regulation (EU) 2023/2772 [*to be adapted to the new CSRD delegated act*];
 - (ii) any limited permitted deviations from the exclusions referred to in paragraph 1, point (b), for the purposes of hedging;
 - (iii) methodologies on how to calculate the threshold referred to in point (a) of paragraph 1 including the shares of investment referred to in paragraph 1 to which the chosen indicator(s) may apply, and any applicable phase-in period for the product to reach the threshold referred to in paragraph 1, point (a);
 - (iv) the conditions for investment approaches referred to in paragraph 2 to qualify as contributing to the sustainability-related objective.
- (c) specify the details of the presentation of the information to be disclosed pursuant to paragraph 3, whereby such presentation shall not exceed two pages.

^{*3} Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds (OJ L, 2023/2631, 30.11.2023, ELI: <http://data.europa.eu/eli/reg/2023/2631/oj>).

^{*4} Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks (OJ L 406, 3.12.2020, p. 17, ELI: http://data.europa.eu/eli/reg_del/2020/1818/oj).

^{*5} Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (OJ L 443, 10.12.2021, p. 9, ELI: http://data.europa.eu/eli/reg_del/2021/2178/oj).

^{*6} Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports (OJ L 332, 27.12.2022, p. 1, ELI: http://data.europa.eu/eli/reg_del/2022/1288/oj).

^{*7} Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards (OJ L, 2023/2772, 22.12.2023, ELI: http://data.europa.eu/eli/reg_del/2023/2772/oj).’;

(9) the following Article 9a is inserted:

‘Article 9a

Financial products that claim that they combine financial products that are categorised as sustainability-related products

For financial products that claim that they are constituted of two or more underlying financial products as referred to in Articles 7, 8 and 9, the information to be disclosed pursuant to Article 6(3) shall include:

- (a) the composition of the financial product in terms of the relative share of the underlying financial products referred to in Articles 7, 8 and 9;
- (b) the share of the financial product to which point (a) does not apply;
- (c) the objective, strategy and applicability of any exclusions applicable to the share of the product referred to in point (b) of this subparagraph.

For the purposes of the first subparagraph, financial market participants may rely on the information referred to in Article 7(3), Article 8(3) and Article 9(3).’;

(10) Article 10 is replaced by the following:

‘Article 10

Transparency on websites on sustainability-related financial products’;

‘Financial market participants shall publish and maintain on their websites the following information for each financial product referred to in Article 7(1), Article 8(1) and Article 9(1):

- (a) the information referred to in Article 7(3), Article 8(3) and Article 9(3);
- (b) the information referred to in Article 11.

The information to be disclosed pursuant to this Article shall be clear, succinct and understandable to investors. It shall be published in a way that is accurate, fair, clear, not misleading, simple, and concise and in a prominent easily accessible area of the website.

The information referred to in subparagraph 1 may be disclosed by form of weblinks to the respective documentation referred to in Article 6(3) or Article 11(2).'

(11) Article 11 is amended as follows:

(a) the title is replaced by the following:

'Transparency in periodic reports on sustainability-related financial products';

(b) paragraph 1 is replaced by the following:

'1. Financial market participants shall describe in the periodic reports for each financial product referred to in Article 7(1), first subparagraph, Article 8(1), first subparagraph, and Article 9(1):

(a) the extent to which the applicable objectives are met, or sustainability factors are integrated, in particular by way of reference to the indicator(s) referred to in Article 7(3), point (d), Article 8(3), point (d), or Article 9(3), point (d);

(b) for financial products falling within the meaning of Article 2, point (26), the information referred to in Article 7(4), point (b), or Article 9(4).';

(c) in paragraph 2, points (h) and (i) are deleted;

(d) paragraph 4 is replaced by the following:

'4. The Commission shall be empowered to adopt a delegated act in accordance with Article 19b to supplement paragraph 1 by specifying the details of the presentation of the information to be disclosed pursuant to paragraph 3, whereby that information shall not exceed two pages.';

(e) paragraph 5 is deleted;

(12) Article 12 is replaced by the following:

'Article 12

Review of disclosures

Financial market participants shall ensure that any information published in accordance with Article 3 or 10 is kept up to date. A financial market participant that amends such information shall explain such amendment on the same website as the website on which the information has been published.';

(13) the following Article 12a is inserted:

'Article 12a

Data and estimates

In complying with Articles 7 to 11, financial market participants:

(a) shall ensure that :

(i) the use of data provided by external data providers is based on formalised and documented arrangements;

- (ii) the use of estimates that are not based on data provided by external data providers is based on formalised and documented methodologies;
- (b) shall provide clients upon request with:
 - (i) information regarding sustainability-related financial products other than the information disclosed in accordance with Article 7(3) and (4), Article 8(3), Article 9(3) and (4), and Article 11;
 - (ii) where data or estimates are sourced from data providers, the name, contact details and, where applicable and available, the methodology used by data providers;
 - (iii) the methodology, the main assumptions and the precautionary principles regarding the treatment of missing datapoints underlying estimations where those are not based on data provided by external data providers.’;
- (14) Article 13 is replaced by the following:

‘Article 13

Marketing communications and naming rules

1. Without prejudice to stricter sectoral legislation, in particular Directives 2009/65/EC of the European Parliament and of the Council^{*8}, Directive 2014/65/EU, Directive (EU) 2016/97, and Regulation (EU) No 1286/2014, financial market participants shall ensure that their marketing communications do not contradict the information disclosed pursuant to this Regulation.
2. Financial market participants may include sustainability-related claims in the names and in the marketing communications of financial products referred to in Article 7(1), Article 8(1), Article 9(1) and 9a provided they are clear, fair, not misleading, and consistent with the sustainability features of those financial products.
3. Financial products other than those referred to in Article 2, point (26), shall not use the term ‘impact’ in their name.
4. The Commission shall be empowered to adopt a delegated act in accordance with Article 19b to supplement paragraphs 1, 2 and 3 to determine the content and standard presentation of sustainability-related information in marketing communication by financial market participants subject to Article 7(1), Article 8(1), Article 9(1) and Article 9(a).

^{*8} Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (recast) (OJ L 302, 17.11.2009, pp. 32, ELI: <http://data.europa.eu/eli/dir/2009/65/oj>).’;

- (15) Article 14 is amended as follows:

- (a) paragraph 1 is replaced by the following:

‘1. Member States shall ensure that the competent authorities designated in accordance with sectoral legislation, in particular the sectoral legislation referred to in Article 6(3) of this Regulation, and in accordance with Directive 2013/36/EU, monitor the compliance of financial market participants with the requirements of

this Regulation. The competent authorities shall have all the supervisory and investigatory powers that are necessary for the exercise of their functions under this Regulation.’;

- (b) the following paragraph 3 is added:

‘3. Without prejudice to Article 17(3), Member States shall ensure that competent authorities do not apply requirements additional to those set out in Articles 3, 6, 10, 11 and 13 as regards information requirements, and in Articles 7, 8 and 9 as regards the criteria and transparency regarding financial products that are categorised as sustainability-related financial products.’;

- (16) Article 15 is replaced by the following:

‘Article 15

Transparency by IORPS

IORPs shall publish and maintain the information referred to in Articles 3, 6 and 10 of this Regulation in accordance with Article 36(2), point (f), of Directive (EU) 2016/2341.’;

- (17) Article 17 is replaced by the following:

‘Article 17

Exemptions

1. Financial market participants may choose not to apply this Regulation to financial products of the closed-end type which were created and distributed before [the date of application of this Regulation].

2. Financial market participants may choose not to apply Articles 6a, 7, 8 and 9 to financial products referred to Article 2, point (12)(b), which are made available exclusively to professional investors as defined in Article 4(1), point (10), of Directive 2014/65/EU.

3. This Regulation is without prejudice to voluntary sustainability-related labelling schemes for financial products with features that exceed those in Articles 7, 8 and 9 in terms of specified objectives, investment approaches, governance or transparency requirements.’;

- (18) Article 18 is replaced by the following:

‘Article 18

Report

The ESAs shall take stock of the extent of financial products referred to in Articles 7, 8 and 9 made available or managed by financial market participants. By [...] and every two years thereafter, the ESAs shall submit a report to the Commission on best practices. That report shall be made public and be transmitted to the European Parliament and to the Council.’

- (19) Article 18a is amended as follows:

- (a) paragraph 1 is amended as follows:

- (i) the first subparagraph is replaced by the following:

‘From 10 January 2028, when making public any information referred to

in Articles 3 and 10 of this Regulation, financial market participants shall submit that information at the same time to the relevant collection body referred to in paragraph 3 of this Article for the purpose of making it accessible on the European single access point (ESAP) established under Regulation (EU) 2023/2859 of the European Parliament and of the Council.^{*9};

(ii) in the second subparagraph, point (b), points (i), (ii) and (iii) are replaced by the following:

- ‘(i) all the names of the financial market participant to which the information relates;
- (ii) for legal persons, the legal entity identifier of the financial market participant, as specified pursuant to Article 7(4), point (b), of Regulation (EU) 2023/2859;
- (iii) for legal persons, the size of the financial market participant by category, as specified pursuant to Article 7(4), point (d), of Regulation (EU) 2023/2859;’;

(b) paragraph 2 is replaced is by the following:

‘2. For the purposes of paragraph 1, point (b)(ii), financial market participants that are legal persons shall obtain a legal entity identifier.

^{*9} Regulation (EU) 2023/2859 of the European Parliament and of the Council of 13 December 2023 establishing a European single access point providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability (OJ L, 2023/2859, 20.12.2023, ELI: <http://data.europa.eu/eli/reg/2023/2859/oj>).’;

(20) Article 19 is replaced by the following:

‘Article 19

Review

By [...], the Commission shall review the application of this Regulation and shall in particular consider:

- (a) practices regarding the categorisation of products in accordance with Articles 7, 8 and 9;
- (b) practices regarding the use of data and estimates pursuant to Article 12a and whether these practices and the functioning of this Regulation are inhibited by data availability or quality issues.’;

(21) the following Articles 19a and 19b are inserted:

‘Article 19a

Transitional provisions

Financial market participants shall apply Articles 7, 8, 9, 10 and 11 of this Regulation as amended by Regulation [PP: please insert reference to this amending regulation] to financial products referred to in Article 2(12), points (c), (d), (e), (g) and (h) by [12 months after the date of application of this Regulation].

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Articles 6a(2), 7(5), 8(4), 9(5), 11(4) and 13(5) shall be conferred on the Commission for an indeterminate period from [...].
3. The delegations of powers referred to in Articles 6a(2), 7(5), 8(4), 9(5), 11(4) and 13(5) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. Before adopting a delegated act, the Commission shall gather all necessary expertise, including through the consultation of the experts of the Member State Expert Group on Sustainable Finance referred to in Article 24 of Regulation (EU) 2020/852, and the European Supervisory Authorities, and in accordance with the principles and procedures laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016.
5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
6. A delegated act adopted pursuant to Articles 6a(2), 7(5), 8(4), 9(5), 11(4) and 13(5) shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.’.

Article 2

Amendments to Regulation (EU) No 1286/2014

Article 8 of Regulation (EU) No 1286/2014 is amended as follows:

- (1) in paragraph 3, point (c), point (ii) is replaced by the following:

‘(ii) its objectives and the means for achieving them, in particular whether the objectives are achieved by means of direct or indirect exposure to the underlying investment assets, including a description of the underlying instruments or reference values, including a specification of the markets the PRIIP invests in, as well as how the return is determined’;
- (2) in paragraph 3, the following point (ca) is inserted:

‘(ca) for a PRIIP that is a sustainability-related financial product as defined in Article 2, point (25), of Regulation (EU) 2019/2088, under a section titled ‘How sustainable is

this product?', its categorisation in accordance with either Article 7, 8 or 9 of that Regulation, and a description of its objective including relevant indicators.'

(3) paragraph 4 is deleted.

Article 3

Amendments to Regulation (EU) 2020/852

In Regulation (EU) 2020/852, Articles 5, 6 and 7 are deleted.

Article 4

Entry into force and application

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from [...].

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL AND DIGITAL STATEMENT

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1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

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

1.2. Policy area(s) concerned

Savings and Investments Union, European Green Deal, Sustainable Finance Strategy

1.3. Objective(s)

1.3.1. General objective(s)

The first general objective is to protect the integrity of the EU single market for sustainable finance by ensuring requirements which mitigate risks of greenwashing, and to better help investors seize opportunities in sustainability-linked financial products. The second general objective is to boost the competitiveness of Europe's financial sector by ensuring conditions which make business easier and help to deepen the single market for sustainability-linked financial products and thus to efficiently allocate capital for Europe's sustainable prosperity. Overall, this is set to ensure a better use of the potential of the European single market for sustainable finance to contribute to funding the transition towards Europe's sustainable prosperity and competitiveness.

1.3.2. Specific objective(s)

Specific objectives

The first specific objective is to simplify and reduce the sustainability-related administrative requirements of the SFDR for financial market participants, as well as to enhance the coherence of the framework for their operational needs. The second specific objective is to improve end-investors' ability to understand and compare sustainability-linked financial products. The specific objectives tackle the main problems which have been identified both for financial market participants on the one hand, and for investors on the other, which inhibit their ability to, respectively, design financial products and deploy corresponding investments in an efficient and effective manner toward the EU's sustainability, competitiveness and other strategic policy goals.

1.3.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

Financial market participants and investors with an interest in sustainable investing are expected to benefit from a simple categorisation for all products with environmental, social and governance (ESG) objectives and features, with a common set of rules regarding ESG claims in names, marketing communication and in the distribution of such products. The categories would effectively cluster ESG financial products into three groupings depending on their objectives and levels of ambition. End-investors would be better able to grasp whether a financial product is focused on contributing to a sustainability objective/made largely of sustainable assets, focused on helping companies to transition toward more sustainable practices, or integrating broader or lighter ESG strategies. The underlying criteria of the categories would ensure

harmonised minimum ESG performance, notably against risks deemed unacceptable by the majority of sustainability-minded investors, thereby increasing investors' protection against greenwashing risks. The regulation would be clearer and simpler to apply than today, with lower costs and risks of national gold plating. The initial one-off costs would be offset by overall burden reductions expected to reduce recurring costs over the medium to longer term. Overall, the impacts are expected to boost the integrity and scale of the EU single market for sustainable finance and encourage the efficient allocation of capital in line with the objectives of the savings and investments union.

1.3.4. *Indicators of performance*

Specify the indicators for monitoring progress and achievements.

To monitor progress towards meeting the specific and general objectives, the Commission would work together with established processes underway notably with the European Supervisory Authorities (ESAs) and the Platform for Sustainable Finance (PSF) to analyse:

The costs incurred by the industry – Supervisory authorities could survey and assess the implementation costs linked to the new categorisation system at the latest 3 years after its implementation. This assessment could also monitor the cost reductions from the reduced disclosures.

Possible occurrences of greenwashing in EU markets. – Building on existing processes, supervisory authorities could regularly continue to monitor occurrences of greenwashing, continue to oversee sustainability-related claims by products, and periodically survey investors to help assess the effectiveness of the revised SFDR as a tool against greenwashing and ensuring decision-relevant data for investors.

Capital flows to sustainable investment – Building on the work of the Platform for Sustainable Finance to monitor capital flows to sustainable investment, a targeted analysis a few years after the implementation of the regime could be carried out to assess the degree to which the categorisation system, together with the simplified disclosures, has helped boost financing toward sustainable economic activities and projects and helped lower the cost of capital linked to these.

1.4. **The proposal/initiative relates to:**

- ☐ a new action
- ☐ a new action following a pilot project / preparatory action⁶⁹
- ☐ the extension of an existing action
- ☒ a merger or redirection of one or more actions towards another/a new action

1.5. **Grounds for the proposal/initiative**

1.5.1. *Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative*

Once agreed by co-legislators, an implementation and preparatory period would precede the entry into application of the revised SFDR framework. The transition to the new rules would be facilitated by the fact that the proposals build on existing

⁶⁹ As referred to in Article 58(2), point (a) or (b) of the Financial Regulation.

market practices and regulatory guidance to a large degree, and allow for a further phasing-in period for financial products which are not subject to this guidance.

- 1.5.2. *Added value of EU involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this section 'added value of EU involvement' is the value resulting from EU action, that is additional to the value that would have been otherwise created by Member States alone.*

The need for a coherent common framework for sustainability-related disclosures for financial products across the EU was established as part of the original SFDR. The objectives remain fully valid, and enjoy broad stakeholder support. Without Union-level action to review the current regime, the challenges identified with it would persist in the shape of undue complexity and a lack of clarity regarding the sustainability-linked features of available financial products, negatively impacting their credibility and uptake.

To overcome these problems and boost the effectiveness and efficiency of the single market for sustainable finance products, the necessary simplification and adjustment of the existing SFDR framework can only be done in a coherent and effective way at EU level. Actions by Member States could, in contrast, only address some of the identified issues, but with the risk of fragmentation of the single market (diverging levels of transparency between national markets, growing disparities in investor confidence in ESG products across Member States, risks of more barriers and challenges for cross-border market participants, and further limits to the comparability of products across the single market).

Action at EU level to ensure uniform simplifications and a common set-up for the ESG-features of financial products, together with solutions to ESG data-related challenges, is more conducive to a harmonised, effective, efficient and coherent outcome across the single market, and in support of the broader strategic objectives of the Union. In short, EU level action would boost the proper functioning of the single market for sustainable finance and in addition contribute to improving transparency for investors across the Union to enable their participation in EU capital markets in general, in line with the objectives of the Savings and Investments Union.

- 1.5.3. *Lessons learned from similar experiences in the past*

The lessons learned from some of the challenges with the existing rules can be summarised as the need to (i) ensure a coherent implementation timeline for the updated changes, (ii) introduce clearer, simpler and more proportionate rules and concepts for the benefit of financial market participants and investors, (iii) formalise and embedding these in a framework of product categories, to help cluster available products in this way, and (iv) ensure that the revised concepts, rules and possible categories rely on ESG data that is available and/or possible to reliably estimate.

- 1.5.4. *Compatibility with the multiannual financial framework and possible synergies with other appropriate instruments*

The review serves the objective of helping to mobilise funds toward the competitive opportunities in the green transition and other evolving strategic priorities in line with Union objectives. As such, it can ease the pressure off public funds, which are increasingly stretched in terms of competing and new emerging priorities, to finance and catalyse funds towards sustainability objectives. Specific co-investments into

relevant EU financial programmes are also encouraged under the criteria for the product categories.

1.5.5. *Assessment of the different available financing options, including scope for redeployment*

N/A

1.6. Duration of the proposal/initiative and of its financial impact

☐ **limited duration**

- ☐ in effect from [DD/MM]YYYY to [DD/MM]YYYY
- ☐ financial impact from YYYY to YYYY for commitment appropriations and from YYYY to YYYY for payment appropriations.

☒ **unlimited duration**

- Implementation with a start-up period from 2027 to 2028,
- followed by full-scale operation.

1.7. Method(s) of budget implementation planned [Details of budget implementation methods and references to the Financial Regulation may be found on the BUDGpedia site: <https://myintracomm.ec.europa.eu/corp/budget/financial-rules/budget-implementation/Pages/implementation-methods.aspx>]

☐ **Direct management** by the Commission

- ☐ by its departments, including by its staff in the Union delegations;
- ☐ by the executive agencies

☐ **Shared management** with the Member States

☐ **Indirect management** by entrusting budget implementation tasks to:

- ☐ third countries or the bodies they have designated
- ☐ international organisations and their agencies (to be specified)
- ☐ the European Investment Bank and the European Investment Fund
- ☐ bodies referred to in Articles 70 and 71 of the Financial Regulation
- ☐ public law bodies
- ☐ bodies governed by private law with a public service mission to the extent that they are provided with adequate financial guarantees
- ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that are provided with adequate financial guarantees
- ☐ bodies or persons entrusted with the implementation of specific actions in the common foreign and security policy pursuant to Title V of the Treaty on European Union, and identified in the relevant basic act
- ☐ bodies established in a Member State, governed by the private law of a Member State or Union law and eligible to be entrusted, in accordance with sector-specific rules, with the implementation of Union funds or budgetary guarantees, to the extent that such bodies are controlled by public law bodies or by bodies governed by private law with a public service mission, and are provided with adequate financial guarantees in the form of joint and several liability by the controlling bodies or equivalent financial guarantees and which may be, for each action, limited to the maximum amount of the Union support.

Comments

N/A

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

N/A

2.2. Management and control system(s)

2.2.1. *Justification of the budget implementation method(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

N/A

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

N/A

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio between the control costs and the value of the related funds managed), and assessment of the expected levels of risk of error (at payment & at closure)*

N/A

2.3. Measures to prevent fraud and irregularities

N/A

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

N/A

4. DIGITAL DIMENSIONS

4.1. Requirements of digital relevance

The data collection and reporting requirements under the revised SFDR regarding the sustainability features of financial products will be significantly simplified compared to the existing framework. In contrast to the wider scope in terms of products, and greater number of datapoints (and services) covered at present, the future rules would hinge on fewer datapoints for products which integrate or embrace ESG features in their design. In order to collect the relevant data, financial market participants' reliance on digital data collection, processing and vending platforms and their own deployment of in-house digital data management tools would be streamlined. For investors and their own deployment of digital search and comparison tools, disclosures would be more focused on the most meaningful datapoints, facilitating accessibility (and comparability) of key data. Both for financial market participants (preparers of product-data) and investors (users of product-data), the use of artificial intelligence tools, in accordance with the requirements and risk parameters of the AI Act, would be facilitated. To streamline data collection and processing, the changes are commensurate with those introduced under the 'Omnibus I' simplifications for sustainability data from corporates. In addition, the digital tagging of SFDR data at entity-level introduced under Article 18a of the Regulation for the purposes of the creation of a European single access point (ESAP) to help the publication of machine-readable information for investors is adjusted accordingly.

4.2. Data

The data required for ESG financial products under the revised SFDR will principally hinge on ensuring: (a) measurable indicators to demonstrate that a sufficient portion of financial products' investments are aligned with their stated sustainability objectives or attributes and (b) compliance with a set of mostly binary exclusions regarding sectors and activities which the products cannot invest in. The data choices for the first would largely depend on financial market participants' design of their products, and those for the second would largely constitute a straightforward explanation to demonstrate that they do not invest in excluded activities. The revised rules also formalise and set out transparency requirements for the use of estimates for the purposes of, mostly, the first requirement, as well as reliance on external data providers.

4.3. Digital solutions

See sections above

4.4. Interoperability assessment

N/A

4.5. Measures to support digital implementation

In general, data requirements under the revised SFDR are supported by the measures foreseen to support digital availability of corporate sustainability information under Directive 2103/34/EU and Regulation (EU) 2020/852⁷⁰. In addition, the Commission envisaged further guidance on the use of estimates for the purposes of informing compliance with the requirements for categorised financial products under this Regulation, which could also address digital topics including the use of AI.

⁷⁰ Including those listed under section 4.5 of the Legislative Financial and Digital Statement in annex to COM(2025) 81 final