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To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
Subject:	REGULATORY SCRUTINY BOARD OPINION Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) and repealing Commission Delegated Regulation (EU) 2022/1288

EUROPEAN COMMISSION

Brussels, 8.10.2025
SEC(2025) 841 final

REGULATORY SCRUTINY BOARD OPINION

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) and repealing Commission Delegated Regulation (EU) 2022/1288

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EUROPEAN COMMISSION
REGULATORY SCRUTINY BOARD

Brussels,
RSB

Opinion

Title: Impact assessment / Sustainable Finance Disclosure Regulation

Overall 2nd opinion: POSITIVE WITH RESERVATIONS

(A) Policy context

The 2021 Sustainable Finance Disclosure regulation (SFDR) sets disclosure requirements for financial intermediaries and financial products regarding Environmental, Social and Governance (ESG) factors for investment funds, insurance and pension products. Its objective is to strengthen protection for end investors and improve disclosures to them. A review of the SFDR is envisaged in Article 19 of the SFDR. The report consists of an evaluation and an impact assessment. In line with the new Commission mandate, the focus is also on simplification, notably the reduction of administrative burdens linked to sustainability reporting.

(B) Key issues

The Board notes improvements made to the report. However, the report still contains significant shortcomings.

The Board gives a positive opinion with reservations because it expects the lead Service to rectify the following aspects:

(1) The report does not sufficiently assess how the revised SFRD will ensure the comparability between different investment products and the risks related to the use of estimates. The report does not adequately assess the risks of greenwashing.

(2) The options are not sufficiently specified to allow for an assessment and comparison. The report does not fully assess effectiveness, efficiency and coherence of options including the repeal option.

(3) Since the full assessment of policy options depends on level 2 legislation, the report should explain how main alternatives and their impacts will be assessed for such subsequent regulations.

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(C) What to improve

(1) The report indicates that under preferred option 3 it will be left up to FMPs to themselves determine what packages of ESG information to offer to potential investors. Given this, the report needs to assess how such different information on products offerings will be comparable to each other, and if the information requirements suggested will facilitate the intended transactions and investments.

(2) Given that the categories are based on harmonised level of contribution and different FMPs will state their own objectives, criteria, methodologies and metrics, the report should assess risks of such an approach to create categories including the risk of misleading end-investors and risks of greenwashing.

(3) The report addresses the use of estimates to ensure that they are based on a sound methodology. The report does not assess related risks and states that regulating estimates in too much detail could go against the cost-saving objective without providing quantitative or qualitative evidence of this trade-off. The report should clarify these issues and set out how estimates would be addressed, in particular taking into account their verification and related transaction costs to end-investors. Similarly, the report should assess the risks related to "transitional" category and how the transition plans or engagement strategies will be verified in order to ensure trustworthy information to end-investors. The scope of the categories, in particular regarding the "other ESG", needs to be better described and its expected effectiveness assessed.

(4) The report should estimate the costs and the benefits, associated with different options, in order to facilitate an assessment of effectiveness, efficiency and proportionality. It should also revise the cost estimates, present clear estimates for option 1.1. and revise the one-off estimate, if justified.

(5) The options need to be clearly defined, operationalised and better distinguished from each other. The main report needs to clarify how requirements under options 2 (on product level disclosures), interact with specifications under options 3 (on the categories). It needs to specify which options constitute mandatory requirements and which are voluntary measures. The report also needs to specify how requirements such as conformity with UN Compact or the OECD recommendations are to be rendered sufficiently specific and measureable, so that market actors can determine if they are in compliance with such requirements.

(6) The assessment of the full range of options needs to include an analysis of the conformance with the principle of proportionality – that the preferred options in the SFDR should not go beyond what is necessary to achieve the objectives, also taking into account existing regulatory requirements including requirements on green claims.

(7) The report should fully assess the effectiveness and efficiency associated with the repeal option, including in view of the coherence, or possibly unnecessary overlaps, with other relevant and forthcoming legislation, like the Unfair Trading Practices Directive and the Green Claims Directive. Given the existence of the ESMA guidelines, described as generally well-functioning, the report should be more specific on the gaps the revised SFDR is intended to address.

(8) The report should also clearly define and fully assess options for product level disclosure in which preformatted information requirements are restricted to FMPs that themselves wish to provide an ESG compliant financial product on the market, and where such information is required only for specific ESG oriented products (i.e. no mandatory sustainability disclosure requirements for all FMPs, nor for all products).

(9) The report should more clearly present how the SFDR is intended to work over time. Regulation of criteria and categories may have to evolve with innovation and the development in market products and data, and with investor preferences. The report should set out how the initiative would help future-proof the SFDR while ensuring comparability.

(10) Several key provisions will be specified only in level 2 regulations. The report should specify how different alternatives, and their impacts, are to be assessed for such level 2 regulations.

(D) Conclusion

The lead Service(s) may proceed with the initiative.

The lead Service(s) must revise the report in accordance with the Board's findings before launching the interservice consultation.

Full title	Review of Regulation EU(2019/2088) on sustainability related disclosures in the financial services sector (SFDR).
Reference number	PLAN/2024/2126
Submitted to RSB on	10 September 2025
Date of RSB meeting	Written procedure

EUROPEAN COMMISSION
REGULATORY SCRUTINY BOARD

Brussels,
RSB

Opinion

Title: Impact assessment / Sustainable Finance Disclosure Regulation

Overall opinion: NEGATIVE

(A) Policy context

The 2021 Sustainable Finance Disclosure regulation (SFDR) sets disclosure requirements for financial intermediaries and financial products regarding Environmental, Social and Governance (ESG) factors for investment funds, insurance and pension products. Its objective is to increase transparency and combat greenwashing.

A review of the SFDR is envisaged in Article 19 of the SFDR; it consists of an evaluation and an impact assessment. In line with the new Commission mandate, the focus is also on simplification, notably the reduction of administrative burdens linked to sustainability reporting.

(B) Key issues

The Board notes the additional information provided in advance of the meeting and commitments to make changes to the report.

However, the Board gives a negative opinion, because the report contains the following significant shortcomings:

(1) Policy options are not sufficiently specified to allow for an adequate assessment and comparison. The report leaves evidence uncovered that is necessary to justify and ensure feasibility, effectiveness and efficiency of the action at level 2.

(2) The report does not fully assess a sufficient range of options, including a repeal option. The coherence with the 'omnibus 1' is not sufficiently established.

(3) The report is not convincing in terms of the feasibility of providing relevant ESG information partly based on estimates, which would nevertheless allow end investors to make meaningful assessments and comparisons across funds, while at the same time reducing costs and avoiding green washing.

(4) The report does not provide sufficient information on the costs associated with different options, including who will bear the costs and who will benefit from savings.

(C) What to improve

(1) The report will need to provide better evidence for revising the ESG information disclosure requirements under the SFDR. Given that the Corporate Sustainability Reporting Directive (CSRD) sets the framework to provide important information and data also for the SFDR, the report will need to take better account of the 'omnibus 1' outcomes. In case of the disclosure requirements are to be specified in level 2 regulations this impact assessment should demonstrate that solutions that are technically feasible at reasonable costs can be found to effectively address the objectives. It should also indicate whether choices between options with substantially different impacts will need to be developed in the level 2 legislation, and if this legislation will be accompanied by an impact assessment.
(2) The consequences of some financial products, such as sovereign bonds and non-EU financial products, being out of the scope of the Regulation should be assessed.
(3) The magnitude and drivers of the problems addressed need to be better specified; the report needs to analyse more thoroughly why recently passed legislation does not work successfully. The report should attempt to further estimate the demand for sustainability information by investors, and how much it has would change their behaviour. It should also attempt to demonstrate if and to what extent SFDR rules contribute to increase or decrease of sustainable investments.
(4) The content of the policy options considered remains too vague in terms of developing a new information requirement system based on less data. It is unclear which data will be used, which will no longer be considered relevant and how this data can be treated, including for creating categories of funds, to provide meaningful information for end investors to drive forward the funding of the green transition. The options also need to be clear which FMPs are to be mandated to supply such information, and for which financial products.
(5) The report needs to fully assess a larger range of options, including a possible repeal option and its consequences. It should also be assessed if ESG information could be provided based on market solutions that could emerge in the absence of regulation. Given that the apparent objective of the SFRD is to provide sufficient information for investors that have a preference for investing in ESG oriented financial products, the report should also clearly define and fully assess options in which such preformatted information requirements are restricted to FMPs that themselves wish to provide an ESG compliant financial product on the market, and where such information is required only for specific ESG oriented products (i.e. no mandatory sustainability disclosure requirements for all FMPs, nor for all products). The assessment of the full range of options needs to be based on an analysis of the conformance with the principle of proportionality – that the SFDR intervention should not go beyond what is necessary to achieve the objective.
(6) The report assumes that it is possible to come up with an ESG categorisation/labelling based on more restricted set of data, including based on estimates, which still allows for a meaningful assessment and comparison for investors and at the same time saves costs and minimises greenwashing. The report will need to provide [more] supporting evidence and clearer scenarios regarding how this would be possible to achieve given the complexity and the need for flexibility. The report remains vague on how to apply positive and negative criteria for the categorisation. While the report seemingly suggests moving away from methods and concepts applied hitherto, i.e. sustainable investments and DNSH, it is not clear what will replace these. The report remains vague on how to specify categories and on the extent to which these are meaningful in the eyes of retail investors. The report should provide a clearer vision for which data will be needed (and exists) in different options to make a reliable assessment. The report should assess the risks that important sustainability aspects may not be sufficiently covered due to the lack of data, resulting in provision of misleading information to investors.

(7) The report should be clear about what data is needed to derive the ESG information, how it will be collected and what the related costs are including for their transformations. The report will also need to consider who will bear the final costs, or who will benefit from cost savings. The report should better consider the costs under the current Regulation as well as the trickling down, or not, of cost implications in the system (i.e. FMPs passing on costs to investees). The report should bring forward the quantitative analysis of expected benefits, in particular related to green transition.
(8) The main report should contain a sufficient analysis of costs and efficiency and should also contain a summary table of the most important costs and benefits, quantified and monetised to the extent possible. The report should elaborate the competitiveness check in terms of the sectorial impacts. The report should clarify its cost estimates in the required tables of annex 3. This should include considerations whether there are other compliance costs than administrative costs, how costs will affect different stakeholder groups and whether additional costs will be generated via the monitoring of the data flows. The OI-OO table will need to be completed. Finally, the net costs imposed or saved will have to be presented for one-off as well as recurrent costs.

Some more technical comments have been sent directly to the lead DG.

(D) Conclusion

The lead DG must revise the report in accordance with the Board's findings and resubmit it for a final RSB opinion.

Full title	Review of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector
Reference number	PLAN/2024/2126
Submitted to RSB on	5 June 2025
Date of RSB meeting	2 July 2025

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