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date of receipt:	20 November 2025
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	SEC(2025) 841 final
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

Delegations will find attached document SEC(2025) 841 final.

Encl.: SEC(2025) 841 final

EUROPEANCOMMISSION

Brussels,8.10.2025
SEC(2025)841final

REGULATORYSCRUTINYBOARDOPINION

ProposalforaREGULATIONOFTHEEUROPEANPARLIAMENT AND OF THE COUNCIL amending Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), Regulation(EU)No1286/2014onkeyinformationdocumentsforpackaged retail and insurance-based investment products (PRIIPs) and repealing Commission Delegated Regulation (EU) 2022/1288

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EUROPEANCOMMISSION
REGULATORYSCRUTINYBOARD

Brussels,
RSB

Opinion

Title:Impactassessment/SustainableFinanceDisclosureRegulation Overall

2nd opinion: POSITIVE WITH RESERVATIONS

(A)Policycontext

The2021SustainableFinanceDisclosureregulation(SFDR)setsdisclosurerequirements for financial intermediaries and financial products regarding Environmental, Social and Governance (ESG) factors for investment funds, insurance and pension products. Its objectiveistostrengthenprotectionforendinvestorsandimprovedisclosurestothem.A review of the SFDR is envisaged in Article 19 of the SFDR. The report consists of an evaluationandanimpactassessment.InlinewiththenewCommissionmandate,thefocus is also on simplification, notably the reduction of administrative burdens linked to sustainability reporting.

(B)Keyissues

TheBoardnotesimprovementsmadetothereport.However,thereportstillcontains significant shortcomings.

TheBoardgivesapositiveopinionwithreservationsbecauseitexpectsthelead Service to rectify the following aspects:

(1) The report does not sufficiently assess how the revised SFRD will ensure the comparabilitybetweendifferentinvestmentproductsandtherisksrelatedto the useofestimates.Thereportdoesnotadequatelyassesstherisksofgreenwashing.

(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 optionsdepends on level 2 legislation, the report should explain how main alternatives and their impacts will be assessed for such subsequent regulations.

(C) Whattoimprove

(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) Giventhatthecategoriesarebasedonharmonisedlevelofcontributionanddifferent 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 ensurethat they are based on a sound methodology. The report does not assess related risks and statesthat 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 clarifytheseissuesandsetouthowestimateswouldbeaddressed,inparticulartaking into account their verification and related transaction costs to end-investors. Similarly,thereportshouldassesstherisksrelatedto"transitional"categoryandhow 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 regardingthe"otherESG",needstobebetterdescribedanditsexpectedeffectivenessassessed.

(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) Theoptionsneedtobeclearlydefined,operationalisedandbetterdistinguishedfrom 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).Itneedstospecifywhichoptionsconstitutemandatoryrequirementsand 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 greenclaims.

(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 forspecific ESGoriented products (i.e.~~

no mandatory sustainability disclosure requirements for all FMPs, nor for allproducts).

(9) ThereportshouldmoreclearlypresenthowtheSFDRisintendedtoworkovertime. Regulation of criteria and categories may have to evolve with innovation and the developmentinmarketproductsanddata,andwithinvestorpreferences.Thereport should set out how the initiative would help future-proof the SFDR while ensuringcomparability.

(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

TheleadService(s)mayproceedwiththeinitiative.

TheleadService(s)mustrevisethereportinaccordancewiththeBoard'sfindings before launching the interservice consultation.

Fulltitle	Review of Regulation EU(2019/2088) on sustainability related disclosures in the financial services sector (SFDR).
Referencenumber	PLAN/2024/2126
SubmittedtoRSBon	10September2025
DateofRSBmeeting	Writtenprocedure

EUROPEANCOMMISSION
REGULATORYSCRUTINYBOARD

Brussels,
RSB

Opinion

Title:Impactassessment/SustainableFinanceDisclosureRegulation Overall opinion: NEGATIVE

(A)Policycontext

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 sustainabilityreporting.

(B)Keyissues

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

However,theBoardgivesanegativeopinion,becausethereportcontainsthefollowing significant shortcomings:

1. **Policyoptionsarenotsufficientlyspecifiedtoallowforanadequateassessment and comparison. The report leaves evidence uncovered that is necessary to justify and ensure feasibility, effectiveness and efficiency of the action at level2.**
2. **Thereportdoesnotfullyassessasufficientrangeofoptions,includingarepeal 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. **Thereportdoesnotprovidesufficientinformationonthecostsassociated with different options, including who will bear the costs and who will benefit fromsavings.**

(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 SFDR 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) Thereportshouldbeclearaboutwhatdataisneededtoderivethe ESGinformation,how it will be collected and what the related costs are including for their transformations. The reportwillalso needto consider whowill bearthe final costs,or who willbenefit 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).Thereportshouldbringforwardthequantitativeanalysisofexpectedbenefits,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 costswill be generated via the monitoringof 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.

Somemoretechnicalcommentshavebeensentdirectlytothelead DG.

(D)Conclusion

TheleadDGmustrevisethereportinaccordancewiththeBoard's findingsand resubmit it for a final RSB opinion.

Fulltitle	Review of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector
Referencenumber	PLAN/2024/2126
SubmittedtoRSBon	5 June2025
DateofRSBmeeting	2 July2025

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