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**PROPOSAL**

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| From: | Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director |
| date of receipt: | 20 November 2025 |
| To: | Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union |
| No. Cion doc.: | COM(2025) 841 final |
| Subject: | 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 COM(2025) 841 final.

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2025/0361 (COD)

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**

(Text with EEA relevance)

{SEC(2025) 841 final} - {SWD(2025) 838 final} - {SWD(2025) 839 final}

# 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 (EU) 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 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 Growth[2].

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 providers, and by financial advisers. More broadly, the SFDR thus contributes to the aims of: (i) helping to attract private funding to facilitate the transition towards greater sustainability; and (ii) helping European companies to seize competitive opportunities in this area.

The SFDR is complemented by a Commission Delegated Regulation[3] which lays down detailed disclosure rules for how financial market participants and financial advisers should disclose sustainability information towards investors about their investment activities and their financial products 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 and 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 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. Article 9 of the SFDR establishes that, for products that have a sustainable investment as their objective, financial market participants must explain the sustainability 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, according to which financial market participants must disclose how sustainability risks are integrated in the investment decision process when relevant, as well as the results of the assessment of the likely impacts of sustainability risks on the returns of the products.

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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).

Since its inception, the SFDR has had broad-reaching effects on the market, accompanying a steadily increasing demand for financial products with ESG characteristics. Products disclosing under Articles 8 and 9 of the SFDR account for almost 50% of EU Assets under Management (AuM), representing more than 60% of EU funds[4]. Europe is by far the largest market for such funds, accounting for up to 84% of global sustainable fund assets[5].

The comprehensive assessment of the SFDR undertaken by the Commission under Article 19 of the Regulation since 2023 has however identified several shortcomings 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, difficult to implement, and ineffective. 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 that the objective of investor protection has not been sufficiently well served, compounded by the misuse of Articles 8 and 9 as quasi-labels and the lack of clarity regarding certain concepts and obligations.

The review of the SFDR is included among the simplification initiatives in the 2025 Commission Work Programme[6]. In line with the Political Guidelines for 2024-2029[7], 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 to lower compliance costs for companies in the EU was also highlighted in the Report on 'The future of European competitiveness[8]' by Mario Draghi.

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 focusing on requirements which mitigate risks of greenwashing and better help investors seize and compare opportunities in sustainability-linked financial products. At the same time, the review aims at boosting the competitiveness of Europe's financial sector by ensuring conditions which make business easier and deepening the single market for sustainability-linked financial products, thus helping to allocate capital for Europe's sustainable prosperity.

The proposed changes pursue two objectives. The first is to simplify and reduce the sustainability-related administrative and disclosure requirements for financial market participants and financial advisers, as well as to enhance the coherence of the framework for the operational needs of financial market participants. The second is to improve end-investors' ability to understand and compare sustainability-linked financial products, and to protect them against potential misleading ESG claims.

The present proposal therefore puts forward a considerable simplification of reporting requirements, and a three-way categorisation of financial products with ESG features,

4 Commission calculations 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

incorporating wide stakeholder feedback and building on current market practices. The proposal also makes targeted consequential amendments to Regulation (EU) No 1286/2014 on packaged retail and insurance-based investment products (PRIIPS)[9] and repeals Commission Delegated Regulation (EU) 2022/1288[10], implementing the current SFDR, as of the date of application of the new framework.

- **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 Taxonomy[11], the EU Benchmarks Regulation[12], the Corporate Sustainability Reporting Directive (CSRD)[13], the Corporate Sustainability Due Diligence Directive (CSDDD)[14], as well as relevant parts of the Markets in Financial Instruments Directive (MiFID II)[15], the Insurance Distribution Directive (IDD)[16] and the Shareholder Rights Directive (SRD)[17]. Together, they support companies and the financial sector in mobilising private funding into sustainable 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'[18] simplifications regarding sustainability information from companies, in particular the future scope of the corporate disclosures from companies under the CSRD.

The review also builds on the guidelines by the European Securities and Markets Authority (ESMA) on funds' names using ESG or sustainability-related terms[19]. For the purposes of ensuring that ESG claims under the revised SFDR are clear, fair and not misleading, financial

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9 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)

10 Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council

11 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.

12 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.

13 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.

14 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).

15 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.

16 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.

17 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.

18 Omnibus I - European Commission.

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

market participants should also consult supervisory guidance prepared by the European Supervisory Authorities[20]. Moreover, the notion of ESG-related claims made by financial products regarding how and the extent to which categorised products invest in or contribute to either transition or sustainability objectives, or integrate sustainability factors in their investment strategy beyond sustainability risk management considerations, is consistent with the notion of 'environmental claims' under Article 2(1)(o) of Directive 2005/29/EC (Unfair Commercial Practices Directive, as amended by Directive (EU) 2024/825 as regards empowering consumers for the green transition[21]). Consistent with Article 3(4) of Directive 2005/29/EC, requirements under that Directive would be met by proper application of the requirements of this Regulation.

Finally, given that this Regulation adapts the information requirements related to the degree to which financial products invest in sustainability-related activities, including activities that contribute to an environmental objective as set out in Article 9 of the Taxonomy Regulation, the requirement for financial market participants to disclose the information under Articles 5 to 7 of the Taxonomy Regulation is henceforth no longer a blanket obligation but flows from whether and the extent to which they choose to use the Taxonomy Regulation in this respect. Further, the references in those Articles of the Taxonomy Regulation would no longer refer to paragraphs involving disclosures under Article 8 and 9 of the SFDR, but to criteria for sustainability-related product categories, and are thus also moot. Likewise, there is no longer an obligation for these disclosures to mention the statements referred to in Articles 6 and 7 of the Taxonomy Regulation regarding the shares of financial products that take and do not take into account EU criteria for environmentally sustainable economic activities under that Regulation.

- **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. The proposed changes aim to facilitate the implementation of the sustainable finance framework. Consistent with the broader simplification agenda and the objective of delivering simpler rules through better implementation under the Savings and Investments Union, the Commission has published a list of non-essential level 2 measures which includes the repeal of several level 2 measures stemming from the SFDR.[22]

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 new rules should therefore promote a more effective functioning of the single market for sustainable finance, including by improving transparency and empowering

20 ESMA36-429234738 -154 Thematic notes on clear, fair & not misleading sustainability-related claims; EIOPA-BoS-24-160- Opinion on sustainability claims and greenwashing

21 Directive (EU) 2024/825 of the European Parliament and of the Council of 28 February 2024 amending Directives 2005/29/EC and 2011/83/EU as regards empowering consumers for the green transition through better protection against unfair practices and through better information

22 De-prioritisation of Level 2 acts in financial services legislation - Finance

investors across the Union to participate in EU capital markets in line with the objectives of the Savings and Investments Union[23].

In the same spirit of the recently published initiatives to advance the Savings and Investments Union, such as the recommendations on the Savings and Investment Accounts (SIAs)[24], the SFDR is also aimed at supporting measures to create better financial opportunities and financial outcomes for citizens who wish to invest. It is specifically designed for individuals looking to grow their savings by investing in financial markets in alignment with their sustainability preferences. In addition, the Commission's strategy on financial literacy, aimed at helping citizens better understand investment principles, opportunities and risks[25], 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 review will contribute to the objectives of the European Green Deal in a more efficient way, including climate neutrality under the Climate Law[26], 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, presented in the Communication on a European Defence Industrial Strategy[27] and delivered through the June 2025 Defence Readiness Omnibus[28], which was announced in the March 2025 Joint White Paper for European Defence Readiness 2030[29]. It is therefore fully consistent with the objectives of the Joint White Paper and the Defence Readiness Roadmap 2030[30] to further bolster access to finance for the defence and space sector.

## 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. The revised rules help underpin the effective and efficient functioning of the internal market for sustainable finance, safeguard

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23 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).

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

25 Communication from the Commission 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).

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

27 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).

28 Defence Readiness Omnibus - European Commission

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

30 Readiness Roadmap 2030 - European Commission

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 implemented 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). They do not go beyond what is necessary to achieve the objectives of simplification, transparency and investor protection, while achieving the scaling up of private sustainable finance in support of Europe's sustainability and competitiveness goals. In addition, based on the proportionality principle, the present proposal builds on market practices.

- **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, for the benefit of both 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 2022, 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 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 opinions (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 (targeted[31] and open[32]). A summary report[33] 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.

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 the disclosures and sustainability-related concepts to be simplified and made more meaningful for investors.

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

32 Sustainable Finance Disclosure Regulation - assessment

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

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

To complement the replies to the targeted and open consultations, the Commission held four technical workshops to gather further technical comments. The workshops took place in October and December 2023, and in January 2024. An additional technical roundtable was conducted with consumers' associations in December 2024 to analyse the existing EU consumer testing studies on retail investors' sustainability preferences and understanding.

PSF opinions

The Platform for Sustainable Finance (PSF), a Commission expert group, submitted input in two opinions. The first, from December 2023[34] addresses the main questions raised by the Commission in the targeted consultation. In December 2024, the PSF published a second opinion[35], 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 opinion 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 delivered in June 2024 a joint opinion on the assessment of the SFDR[36] 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 among other things it strongly encouraged the establishment of a categorisation system[37].

Engagement with Member States

The European Commission engaged with Member States in the context of the Member States Expert Group[38] in two meetings (December 2024[39] and June 2025[40]), requesting their feedback and 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.

34 Platform Briefing on EC targeted consultation regarding SFDR Implementation, December 2023.
35 Categorisation of Products under the SFDR: Proposal of the Platform on Sustainable Finance, December 2024.
36 Joint ESAs Opinion on the assessment of the SFDR (JC 2024 06), June 2024.
37 ESMA Opinion on sustainable investments: Facilitating the investor journey (ESMA36-1079078717-2587), July 2024.
38 Member States expert group on sustainable finance (E03603)
39 34th Meeting of the Member State Expert Group on Sustainable Finance
40 39th Meeting of the Member States Expert Group on Sustainable Finance

Continuous engagement with experts

The European Commission engaged continuously with experts such as financial market participants, investors, NGOs, consumers' associations, 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[41]. 195 stakeholders submitted their views. The largest group of respondents were businesses associations and companies, 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"[42], 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 that 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

41 Revision of EU rules on sustainable finance disclosure

42 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.

analysis of costs, benefits and 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 revised Regulation, clearly framing the limited areas for supplementary rules needed in future implementing measures. 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 building on the ESMA fund name guidelines[43].

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) significantly reducing product-level disclosures, refocusing on templates for categorised products with fewer sustainability indicators, facilitating comparability and investors' decisions, and considerably cutting the recurring costs linked to product disclosures;

(iii) setting up 3 categories for 'sustainable', 'transition', and 'ESG basics' products[44], covering a significant 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 considerably 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

[43] 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.

[44] In contrast to the preparatory work carried out in the impact assessment, it was decided to introduce the category names in the Regulation and not leave this for implementing measures. Further consumer testing is nonetheless foreseen notably for the interplay with relevant distribution rules.

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.

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 financial market participants which are SMEs. In addition, the simplification of product-level disclosures and introduction of product categories building on market practices, which overall are expected 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 integrates due consideration for the respect of human rights, gender equality, fair and just working conditions and prohibition of child labour by companies (Articles 5, 23, 31 and 32 of the Charter), 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 entry into application 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 focused on financial market participants who manufacture, make available or manage financial products (i.e. removing financial advisers who do not carry out this activity

from the scope) and including the creation of categories for sustainability-related financial products.

(2) Consequential changes to some definitions, including notably the deletion of financial advisers and the addition of definitions for categorised 'sustainability-related' products as well as those categorised products claiming to achieve 'impact' as part of their strategy (Article 2 SFDR).

(3) Deletion of Article 2a SFDR on the empowerment for ESAs to develop regulatory technical standards to be adopted by the Commission regarding the principle of do no significant harm, consistent with the list published by the Commission of implementing measures considered non-essential ('de-prioritisation list')[45].

(4) Amendment of Article 3 to reflect removal of financial advisers from the scope.

(5) Deletion of entity-level disclosure requirements in Articles 4 and 5 regarding, respectively, principal adverse impacts and remuneration policies, also consistent with the de-prioritisation list.

(6) Amendment of Article 6 to reflect removal of financial advisers from the scope.

(7) Addition of new Article 6a on specific transparency restrictions for non-categorised products, as a result of the creation of categories for 'sustainability-related financial products'. Notably, to protect investors, non-categorised products, while not prevented from including information in their pre-contractual and periodic disclosures on whether and how they consider sustainability factors, are required to ensure that such information is not a central element of those disclosures and does not constitute sustainability-related claims reserved for categorised products.

(8) Creation of categories for financial products with transition (Article 7), ESG basics (Article 8), or sustainable features (Article 9), including the main criteria for financial products to qualify in each category, the exclusions which products in each category should not invest in, and the information to be disclosed to investors. The revised Articles also repeal the previous empowerments, in accordance with the de-prioritisation list. The order of the revised Articles reflects continuity with the existing usage of, notably, Articles 8 and 9 as shorthand for products with different environmental and social features.

(9) Addition of new Article 9a on financial products investing in or combining categorised products, to clarify when these products are eligible to meet the criteria of a given category, and to set out transparency rules for how non-categorised financial products which invest in categorised financial products, but not in the amounts which would qualify those products as categorised themselves, should disclose information about those investments. Notably, such products should set out what share of their investments are in categorised financial products, relying on the information regarding the latter provided by financial market participants in the investment chain.

(10) Amendment of Article 10 on website disclosures by financial market participants, reflecting the revised scope, the creation of categories for 'sustainability-related financial products', and consistent with the de-prioritisation list.

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45 De-prioritisation of Level 2 acts in financial services legislation - Finance

(11) Amendment of Article 11 on periodic disclosures by financial market participants on an annual basis, reflecting the revised scope, the creation of categories for 'sustainability-related financial products', and consistent with the de-prioritisation list.

(12) Change to Article 12, to reflect removal of financial advisers from the scope.

(13) Addition of a new Article 12a setting out principles for financial market participants on the use of data and estimates for the purposes of this Regulation as well as rules on the information to be provided to investors upon request on relevant data sources and assumptions underpinning estimates.

(14) Amendments to Article 13 on marketing communications and naming rules, notably reflecting the revised scope, the creation of categories for 'sustainability-related financial products', and consistent with the de-prioritisation list. Namely, sustainability-related claims in names and marketing communications would only be allowed for categorised products, with the exception of non-categorised products under Article 9a that would be able to make such claims in marketing communications but not their names. In addition, amendments to Article 13 incorporate disclosure requirements from Regulation (EU) 2024/3005 for financial market participants that include ESG ratings in their marketing documentations, ensuring that information on such ratings is available as part of the website disclosures.

(15) Amendment of Article 14 to reflect the revised scope and preclude additional national level requirements in order to avoid that these would go beyond information requirements and criteria for 'sustainability-related financial products' in the revised Regulation and cause fragmentation in the internal market.

(16) Change to Article 15 to reflect the revised scope.

(17) Addition of optional exemptions in Article 17 for specific types of products, notably of the closed-ended type created before the entry into application of the revised Regulation as well as a clarification that the creation of categories for 'sustainability-related financial products' is without prejudice to labelling schemes with additional features in terms of transparency, governance and other requirements.

(18) Revision to Article 18 (reporting by ESAs) to reflect the revised subject matter and scope of the Regulation.

(19) Consequential targeted changes to Article 18a (European single access point).

(20) Changes to the review clause (Article 19) to reflect the revised subject matter and scope of the Regulation.

(21) Addition of new Articles 19a, 19b and 19c (transitional provisions for insurance and pension products which are not affected by the ESMA fund name guidelines, and Commission empowerments to specify the conditions for investments to contribute to given transition-related or sustainability-related objectives or to integrate sustainability factors for the categorisation of financial products as sustainability-related products, and the disclosure requirements for these categorised financial products via delegated acts).

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 repeals Commission Delegated Regulation (EU) 2022/1288, containing implementing measures adopted under the current SFDR, as from the date of application of the revised Regulation.

2025/0361 (COD)

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

(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 Committee[46],

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) The March 2018 Action Plan on Financing Sustainable Growth[47] 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 Agreement[48] on climate change and the UN 2030 Agenda for Sustainable Development[49]. Among the ensuing actions, the Commission proposed, and co-legislators adopted Regulation (EU) 2019/2088 of the European Parliament and of the Council,[50] to improve transparency on the consideration of sustainability risks and factors by financial market participants in financial services and financial products offered to investors.

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46 OJ C , , p. .

47 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).

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

49 Transforming our world: the 2030 Agenda for Sustainable Development | Department of Economic and Social Affairs

50 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).

(2) The Communication on the European Green Deal[51] 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 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 by 2050 in accordance with Regulation (EU) 2021/1119 of the European Parliament and of the Council[52], specific sectoral sustainability targets in that context[53], and the objectives of the REPowerEU plan[54] to accelerate the development of secure and sustainable energy in the Union and reduce dependency on imported fossil fuels. Commission analyses have consistently highlighted the magnitude of investments needed to achieve the EU's climate objectives: over the 2030 – 2050 period, approximately EUR 650 billion (in 2023 EUR) will have to be allocated yearly for the transition of the energy system alone across a variety of scenarios. In that context, unlocking and facilitating sustainability-oriented private funds is critical for the Union to properly contribute financially to the New Collective Quantified Goal set at COP 29 and the additional climate finance goal to mobilise USD 1,3 trillion a year from 2035, to boost its resilience in the face of climate change[55] and to support the plan for EU competitiveness and decarbonisation (*The Clean Industrial Deal*)[56]. It is also aligned with efforts to boost the defence industry of the Union[57] by ensuring that the sustainable finance framework does not prevent capital from being 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 Union[58].

(3) Regulation (EU) 2019/2088 has been instrumental in improving transparency as regards the opportunities and risks in investments supporting or integrating diverse

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51 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).

52 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).

53 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).

54 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).

55 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).

56 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)

57 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.

58 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

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. Regulation (EU) 2019/2088 benefitted investors in terms of a more 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, even if not to the full of its potential. National competent authorities in charge of monitoring 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, the Regulation's implementation is associated with considerable complexity and costs for financial market participants. In addition, the information provided to end-investors has not, on the whole, been sufficiently clear and effective in helping those end-investors 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. Disclosures under those Articles have also been marked by varying interpretations and implementation practices, which led to insufficient clarity for end-investors. In addition, diverging interpretations by national competent authorities also emerged and supervisory practices and expectations have been impacted by 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")[59]. Those implementation challenges have led to undue costs and burdens for the financial sector of the Union compared to international competitors, to a lack of investor protection and risks of greenwashing, and to differing national requirements and supervisory practices that are at odds with the integrity of the single market. Overall, the challenges are seen to limit the effectiveness of Regulation (EU) 2019/2088 in exploiting 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 amendments to simplify, streamline and reduce the burden of sustainability-related disclosures and requirements on Union undertakings. Those amendments should ensure a more cost-effective delivery of the overall ambition of the European Green Deal while not undermining its agreed policy objectives[60]. As part of that wider sustainable finance framework, Regulation (EU) 2019/2088 should also be reviewed commensurately. That is why its revision has been included among the simplification initiatives of the Commission in the Mission Letter

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59 ESMA, Guidelines of 21 August 2024 on funds names using ESG or sustainability related terms, ESMA34-1592494965-657.

60 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).

to the Commissioner for Financial Services and the Savings and Investments Union[61] and in the 2025 Commission Work Programme[62]. The objectives of the revision are 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.

(6) Within that context, it is for the benefit of both end-investors and financial market participants to alleviate specific burdens flowing from Regulation (EU) 2019/2088 on financial market participants, and to formalise a comprehensive categorisation regime for financial products making sustainability-related claims. Those categories are to set up a clear system according to which sustainability-related financial products should be clustered, in accordance with how those products claim to end-investors to pursue or achieve specific sustainability-related objectives or to integrate the consideration of specific sustainability-related factors. To harmonise the implementation and supervisory practices and further protect end-investors against greenwashing and misleading claims, those categories should rely on a clear set of criteria.

(7) It is necessary to adjust the scope of Regulation (EU) 2019/2088 and to adjust certain definitions therein to reflect those objectives. Regulation (EU) 2019/2088 should continue to require financial market participants to disclose how they consider sustainability risks affect the financial products they offer to investors. Beyond these elements, 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 advisors providing investment advice should be carved out of the scope of Regulation (EU) 2019/2088 altogether. Their role is rather as distributors to identify the products made available by financial market participants that match their clients' sustainability preferences. The rules for distributors should therefore duly reflect the changes introduced by this Regulation, especially the categorisation regime for financial products making sustainability-related claims. The same applies to the service of portfolio management, consisting of managing portfolios of financial instruments in accordance with mandates given by clients on a discretionary client-by-client basis and which are thus not designed and marketed the same way as products identified for certain target markets.

(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 laid down elsewhere in the

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61 Mission Letter of the President of the European Commission of 17 September 2024, ac06a896-2645-4857-9958-467d2ce6f221_en.

62 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).

sustainable finance framework but which have a slightly different meaning, including those laid down in Regulation (EU) 2020/852 of the European Parliament and of the Council[63], and undue constraints for investments targeting the transition of undertakings or economic activities towards sustainability in accordance with the policy outlined in the Commission Recommendation (EU) 2023/1435 in 2023[64]. 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 the definition of sustainable investment, 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 associated category of sustainability-related financial products. That would ensure continuity, simplified application and improved certainty for financial market participants. Therefore, the concepts of contribution to an environmental and social objective, of do not significant harm, and of good governance practices should continue to be reflected in the criteria of the relevant categories.

(9) 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, environmental objectives of sustainability related financial products should be defined according to Article 9 of Regulation (EU) 2020/852. Social objectives of sustainability related financial products should be understood as including the principles of the European Pillar of Social Rights[65] and the Sustainable Development Goals.

(10) The proposal for a Directive of the European Parliament and of the Council amending Directives (EU) 2022/2464 and (EU) 2024/1760[66] aims at an overall simplification and burden-reduction of sustainability disclosures and, focus their requirements on the largest companies. That same aim justifies focussing the scope of Regulation (EU) 2019/2088 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 of sustainability information covering all sectors. Therefore, the deletion of the specific requirements for financial market participants to make disclosures on their consideration of adverse impacts in their investment decisions at the level of the entity ensures no duplication in disclosure requirements for entities also in scope of Directive (EU) 2022/2464.

(11) Financial market participants should not be prohibited from referring to information on sustainability aspects of an ancillary nature in the regulatory disclosures related to financial products even if not categorised as sustainability-related financial products. Such information should be fair, clear and not misleading. However, to protect

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63 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).

64 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.).

65 The European Pillar of Social Rights in 20 principles - Employment, Social Affairs and Inclusion.

66 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).

investors and distinguish clearly between non-categorised and categorised financial products, such information should not constitute a prominent element in those disclosures and 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, marketing documentations and names of their sustainability-related financial products are consistent with the category under which they fall and their strategies.

(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, there is a need to set up EU categories for products making sustainability-related claims. Such categories are called for to address the current misuse of the Article 8 and 9 disclosures and to harmonise at EU level the implementation and supervisory practices for products making sustainability-related claims. Such categories should rely on clear criteria to combat greenwashing, facilitate end-investors understanding of products' sustainability-related strategies and objectives, and allow for an efficient distribution system based on investors' sustainability preferences. Feedback favours the creation of three categories which should be distinguished in terms of their claims. The sustainable category should cover products claiming to invest in companies, assets, activities or projects that are already sustainable or pursue a particular objective related to sustainability factors, including environmental or social objectives. The transition category should cover products claiming to invest in companies, assets, activities or projects that are on a credible path to sustainability or that pursue particular environmental or social transition-related objectives. The ESG basics category should cover products claiming to integrate other sustainability considerations beyond sustainability risks in their investment strategy. This approach would also be consistent with recent regulatory guidance by the European Securities and Markets Authority[67]. These claims by financial products are consistent with the notion of 'environmental claims' under Directive 2005/29/EC[68] (Unfair Commercial Practices Directive, as amended by Directive (EU) 2024/825 as regards empowering consumers for the green transition[69]). Consistent with Article 3(4) of Directive 2005/29/EC, requirements under that Directive are met by proper application of the requirements of this Regulation.

(13) 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 under Commission Delegated Regulation

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67 ESMA, Guidelines of 21 August 2024 on funds names using ESG or sustainability related terms, ESMA34-1592494965-657.

68 Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market and amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No 2006/2004 of the European Parliament and of the Council ('Unfair Commercial Practices Directive') (OJ L 149, 11.6.2005, ELI: http://data.europa.eu/eli/dir/2005/29/oj)

69 Directive (EU) 2024/825 of the European Parliament and of the Council of 28 February 2024 amending Directives 2005/29/EC and 2011/83/EU as regards empowering consumers for the green transition through better protection against unfair practices and through better information (OJ L, 2024/825, 6.3.2024, ELI: http://data.europa.eu/eli/dir/2024/825/oj)

(EU) 2017/565[70], Commission Delegated Directive (EU) 2017/593[71], and Commission Delegated Regulations (EU) 2017/2358[72] and (EU) 2017/2359[73]. This would provide end-investors with a clear understanding of the main features and ambitions of sustainability-related products.

(14) To help comparability and boost integrity, a minimum portion of 70% of investments by financial products in each category should be made in accordance with the sustainability-related claim, i.e. the objective that is pursued or the sustainability-related considerations that are applied. Financial market participants should be allowed to freely allocate the remaining investments based on diversification, hedging or liquidity needs. These remaining investments should not contradict the sustainability-related claims of the financial product. The full implementation of an investment strategy for a given financial product can take a certain period of time, especially for alternative or private assets. That period of time is communicated in pre-contractual documents. The percentage of investments necessary to meet the objectives of the product may not be immediately reached during that phase-in period. The percentage should be attained at the latest at the expiry of the phase-in period. The 70% threshold would mean an increase in ambition compared to the 50% minimum portion of 'sustainable investment' required for funds using a sustainability-related term in their names under the ESMA guidelines on funds' names. It is also considered to allow for continuity with the rule of having 80% of investments made in accordance with the ESG claim pursued with the fund name under those guidelines, considering that the conditions for the 70% threshold would be stricter than the current 80% under the ESMA guidelines (i.e. new conditions for investments to be deemed as contributing to a sustainability or transition related objectives or as integrating sustainability-related considerations). Finally, it allows for sufficient margin for hedging investments, and is aligned with other international investment labels, which would facilitate international convergence. To guide financial market participants and provide them with certainty, specific investment approaches for financial products should be identified per category, but without excluding other possible approaches in each case under the condition that these provide for the same level of sustainability-related ambition. Findings from recent evaluations show that there is no 'one size fits all' on how to granularly specify what a positive contribution to a sustainability objective or transition should be. That is mainly due to the wide variety of assets, strategies, sustainability objectives or factors that exist in the current market. A closed list of

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70 Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (OJ L 87, 31.3.2017, ELI: http://data.europa.eu/eli/reg_del/2017/565/oj)

71 Commission Delegated Regulation (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits (OJ L 87, 31.3.2017, ELI: http://data.europa.eu/eli/dir_del/2017/593/oj)

72 Commission Delegated Regulation (EU) 2017/2358 of 21 September 2017 supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regard to product oversight and governance requirements for insurance undertakings and insurance distributors (OJ L 341, 20.12.2017, ELI: http://data.europa.eu/eli/reg_del/2017/2358/oj)

73 Commission Delegated Regulation (EU) 2017/2359 of 21 September 2017 supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regard to information requirements and conduct of business rules applicable to the distribution of insurance-based investment products (OJ L 341, 20.12.2017, ELI: http://data.europa.eu/eli/reg_del/2017/2359/oj)

granular criteria for contribution would therefore restrict the investment universe too much and risk hindering innovative practices. Instead, the list of possible approaches should aim at identifying robust existing sustainability standards and encouraging their use. The 70% threshold should focus on ensuring harmonised levels of contribution rather than granularly specify the nature of the contribution for each category. Specific disclosures on the chosen approach to contribution should be given to end-investors. Financial market participants should measure their contribution, the compliance with the strategy and the progress towards the sustainability objective, through appropriate sustainability-related indicators and disclose those indicators. A list of voluntary indicators should be developed for this purpose. Such indicators should build on the indicators referred to in Annex I of Commission Delegated Regulation (EU) 2022/1288 and Commission Delegated Regulation (EU) 2023/2772, and on information disclosed by companies, ensuring, to the extent appropriate, continuity with current market practices under this Regulation. This would encourage harmonisation and comparability in the way financial market participants measure and disclose their contribution to an objective.

(15) The criteria for these categories should also simplify the way financial products today using the sustainable investment definition are required to manage principal adverse impacts on environmental or social objectives. The current approach mandates financial market participants to consider the principal adverse impact indicators on sustainability factors, currently set out in Commission Delegated Regulation (EU) 2022/1288[74]. Stakeholders' feedback highlights that this approach has not led to a robust or comparable mechanism to ensure no harm. Therefore, the current approach should be replaced 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 and to identify and disclose the principal adverse impacts of their investments on sustainability factors. These should include, where relevant, adverse impacts on climate change mitigation and climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems. Financial market participants should also disclose any actions taken to address the identified principal adverse impacts. In the specific context of this framework, 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 also ensure, to the extent possible, 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 and also rely on data available from investee companies or data that can be reasonably estimated by financial market participants. Such exclusions should reflect politically agreed environmental and social goals.

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74 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).

(16) The transition category should consist of financial products that aim to support the transition of undertakings, economic activities and other assets towards sustainability, or contribute to such transition. This category aims at providing such products with disclosures and criteria which accurately reflect transition strategies and address the current implementation challenges arising from the lack of recognition of transition finance in the definition of sustainable investment in Article 2, point (17), of Regulation (EU) 2019/2088. Such challenges include difficulties for financial market participants wanting to pursue and disclose transition-related strategies as well as confusion and lack of appropriate disclosures for end-investors interested in investing in products with transitional objective. This category should therefore bolster the visibility, transparency and integrity of financial products which invest in the transition of undertakings, economic activities, or other assets towards better environmental or social performance, or that contribute to the environmental or social transition. This category should therefore capture financial products with a high level of transition ambition, selecting notably investments based on proven standards and tools, including centred on strategies tracking or replicating EU Climate Transition benchmarks (CTB) or EU Paris-aligned benchmarks (PAB) in accordance with Regulation (EU) 2016/1011 of the European Parliament and of the Council[75], on investing in transitional economic activities or in undertakings investing their capital expenditures in accordance with Regulation (EU) 2020/852, or on investing in undertakings or economic activities that commit to future improvements through credible transition plans or science-based targets. 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. To ensure a meaningful contribution to the international and European climate goals, financial products which pursue a climate change mitigation objective should align their ambition with that in the Paris Agreement and in Regulation (EU) 2021/1119, in particular for financial market participants relying on transition plans and science-based targets from companies or projects, or when pursuing a sustainability-related engagement strategy with investee companies. This category should also exclude activities which are commonly agreed to be harmful to the environment and society, while giving investors the possibility to invest in companies at different starting points in their transition efforts. These exclusions should ensure sufficient alignment with the ones defined under the EU Climate Benchmarks and introduced by the ESMA guidelines on funds names for all funds using certain ESG terms in their names, including 'transition'-related terms. They should cover activities related to prohibited weapons as defined in the upcoming amendment to Regulation (EU) 2020/1818[76], the cultivation and production of tobacco, violations of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (OECD MNEs), and hard coal and lignite. This category should also exclude companies developing new projects linked to oil or gaseous fuels, and companies

[75] 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).

[76] COMMISSION DELEGATED REGULATION (EU) …/... amending Delegated Regulation (EU) 2020/1818 as regards the definition of prohibited weapons C(2025)3801 Delegated act details - Register of delegated acts

developing new projects, or without a plan to phase-out from, hard coal or lignite for power generation. Moreover, like products falling under the sustainable category, products falling under the transition category should identify and disclose the principal adverse impacts of their investments on sustainability factors, and explain any actions taken to address those impacts.

(17) The ESG basics category should consist of financial products the strategy or design of which is based on selected sustainability factors. 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. The criteria should cater for investments which do not specifically pursue a sustainability or transition related objective but integrate sustainability factors in their investment strategies through credible sustainability-related approaches. The criteria should list several approaches which could be adopted by financial market participants, such as outperformance of the investment universe of reference benchmarks measured by an ESG rating or a sustainability indicator, a combination of sustainable or transition standards, as well as investments that favour undertakings or economic activities with a proven positive track record on certain sustainability factors. This category should also exclude activities which are commonly agreed to be harmful to the environment and society in alignment with the ones defined under the EU Climate Benchmarks and introduced by the ESMA guidelines on funds names for all funds using ESG terms, but 'sustainability-related terms or 'impact'-related ones. They should cover activities related to prohibited weapons as defined in the upcoming amendment to Regulation (EU) 2020/1818, the cultivation and production of tobacco, violations of the UNGC principles or OECD MNEs, and hard coal and lignite.

(18) The sustainable category should consist of financial products that invest in companies, assets or activities that are sustainable or that pursue or positively contribute to environmental and / or social objectives. 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 Council[77], on investing in sustainable economic 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 Council[78], and on investments in relation to operations benefiting from a Union budgetary guarantee or financial instruments under Union programmes pursuing environmental or social objectives. Accordingly, the exclusions for financial products in this category should extend beyond those for the other two categories and encompass activities where the value

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77 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).

78 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).

chain is associated with fossil fuels, including the expansion of fossil fuels. In particular, the exclusions should include the ones of the transition and ESG basics category, in addition to activities linked to oil fuels, gaseous fuels, electricity generation with a GHG intensity of more than 100 g CO2 e/kWh. This category should also exclude companies developing new projects linked to oil or gaseous fuels, and companies developing new projects, or without a plan to phase-out from, hard coal or lignite for power generation. Moreover, beyond these exclusions, products falling under the sustainable category should identify and disclose the principal adverse impacts of their investments on sustainability factors, and explain any actions taken to address those impacts. This requirement would complement the common binary exclusions and ensure that any other principal adverse impacts on sustainability factors are identified, disclosed, and potentially addressed. It would bring accurate transparency on adverse impacts, therefore allowing end-investors to understand the potential harm of such products, while bringing more legal clarity on the required obligation to financial market participants than the current principle of 'consideration' of principal adverse impact indicators. Indicators should be developed that build on the current principal adverse impact indicators referred to in Annex I to Commission Delegated Regulation (EU) 2022/1888 and Commission Delegated Regulation (EU) 2023/2772 for voluntary use by financial market participants when complying with the identification and disclosure of principal adverse impacts. However, financial market participants should have the flexibility to disclose these principal adverse impacts using a different approach, such as different indicators or a qualitative explanation of such impacts and actions, if it fits better the nature of the impact identified or addressed. This flexibility on how to identify the impacts should allow them to focus on the impacts which are actually relevant for their products depending on the assets, strategies and objectives pursued. This requirement would align to a certain degree with existing criteria in other international frameworks while ensuring that the EU rules remain more ambitious including through the implementation of common binary exclusions.

(19) To encourage the use of well-established EU standards, the sustainable and transition category should provide for appropriate treatment and legal certainty for products relying on the EU Taxonomy and the EU Climate Benchmarks. Products replicating or managed in reference to an EU Paris-aligned benchmark should be considered as products qualifying under the sustainable and transition category. Similarly, products replicating or managed in reference to an EU Climate Transition benchmark should be considered as products qualifying under the transition category. In addition, products with a proportion of Taxonomy-aligned investment equal or higher than 15% should be considered products complying with the contribution criteria of the sustainable and transition category. The latter would still need to apply the exclusions mandated under the category they wish to comply with on the portion of the portfolio that is not aligned with the EU Taxonomy. Based on the opinion of the Platform for Sustainable Finance, the 15% threshold provides for sufficient incentive for products to aim for an ambition portion of investment in Taxonomy-aligned economic activities while being aligned with the current state of the market. More specifically, this threshold should be attainable by about half of the current investment funds disclosing under Article 9 of Regulation (EU) 2019/2088. The threshold should be subject to review 36 months after the date of application to continue to align it with the state of the broader economy and reflect any development under the EU Taxonomy in order to ensure it provides the right incentive. These provisions aim at simplifying the implementation of the categories, enhancing the coherence of the EU sustainable finance framework,

and encouraging the use of these EU labels and standards by providing certainty to their users.

(20) 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 pursue specific impacts as understood for these types of investment practices. The use of the term 'impact' in the names of financial products should be restricted accordingly.

(21) 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. Financial products falling under the sustainable and transition category that pursue an environmental objective should disclose whether and the extent to which they use the EU Taxonomy as one of their investment approaches, to meet the 70% requirement. This disclosure requirement on the use of the EU Taxonomy will enhance comparability across financial products with environmental objectives. In addition, disclosures on any ESG ratings included in market documentations of sustainability-related products should be included in websites disclosures, as per requirements under Regulation (EU) 2024/3005. These disclosures should allow end-investors to understand the specific characteristics of each sustainability-related financial products, compare them and understand whether they fit their sustainability preferences, and facilitate the provision of financial and insurance advice.

(22) 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 be excluded from qualifying for the numerator of the portion of investment that needs to be reached by financial products that are categorised under the sustainable and transition categories. However, financial market participants should be allowed to include those debt issuances in the numerator of financial products that are categorised under the ESG basics category, using available methodologies that are appropriate to assess the sustainability of those investments for that purpose. 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 supra-nationals. Those exclusions therefore do not restrict investments in debt issuances by sovereigns, sub-sovereigns and supra-nationals, which can thus feature in the denominator of those financial products, including notably debt issuances by Union Member States, Union-level bodies and other public sector bodies not subject to any applicable Union-level financial sanctions. In contrast,

investments in financial instruments issued by sovereigns, sub-sovereigns and supra-nationals, 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, can be included in the numerator of all categorised financial products. This balanced approach should allow sustainability-related financial products to continue to fund public projects and activities related to sustainability, while providing safeguards to potential greenwashing risks. 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.

(23) The creation of categories for sustainability-related financial products requires provisions that determine how products that are exposed to categorised products should assess their eligibility to a category and if they do not qualify for a category, how such non-categorised financial products which invest in categorised financial products should disclose information about those investments. In order to assess the eligibility to a category, financial market participants should be able to rely on the information disclosed regarding categorised financial products and combine it with the information on their other investments. In cases where a financial market participant uses the services of an entity regulated to provide portfolio management services, the financial market participant should be able to rely on the information provided by this entity which can be mandated to invest in accordance with the criteria for categorised products by its client. In case where investments of those products in categorised products reach the 70% threshold for their portfolio, and where compliance with other criteria, notably exclusion criteria, is also ensured, these products could be considered to qualify as categorised products themselves. This assessment should build on information on the underlying categorised products (e.g. either the minimum investment required for categorised products under this Regulation, or the actual investment if available) and information disclosed by portfolio managers. Provided the appropriate exclusions are met in each case, only products that meet the 70% threshold by investing solely in sustainable products could be considered sustainable, while those investing across categories would fall either within the transition (if mixing sustainable or transition products) or ESG basics (if mixing products from any of the three). For financial products that do not qualify for a category but invest in categorised financial products, in order to ensure comparability, disclosures should include how much these financial products have invested in financial products that are categorised as sustainability-related financial products, as well as in portfolios managed for clients on a discretionary basis in accordance with the criteria for categorised products, and how much in non-categorised products. For this purpose, financial market participants should be able to rely on the information disclosed regarding categorised financial products as well as the information disclosed by the authorised entity in change or providing the service of portfolio management. That should help financial market participants managing, manufacturing or making available such products inform their clients on the sustainability-related elements of these products in a more harmonised way, while allowing them to rely on the information provided for the underlying categorised products and without requiring them to separately verify this information. Those non-categorised products should however not be able to use sustainability-related terms in their names, that are reserved for categorised products, but should be able to include sustainability-related claims in

their marketing communications, provided they are clear, fair and not misleading, and accurately reflect the information they disclose on the relative shares of investments in categorised products and in other assets.

(24) 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.

(25) 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.

(26) 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.

(27) 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 to allow for the specification of the conditions for investments to contribute to given transition-related or sustainability-related objectives or to integrate sustainability factors 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 Council[79], Regulation (EU) No 1094/2010 of the European Parliament and of the Council[80], and Regulation (EU) No 1095/2010 of the European Parliament and of the Council[81], and with the Member States Expert Group on sustainable finance, where appropriate. The European Supervisory Authorities should also support the Commission in conducting appropriate testing of consumers and investors to inform how product distributors best

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79 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).

80 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).

81 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).

identify the products that match clients' sustainability preferences under Commission Delegated Regulation (EU) 2017/565, Commission Delegated Directive (EU) 2017/593, Commission Delegated Regulations (EU) 2017/2358 and (EU) 2017/2359, based on the categorisation, and ensure that associated investor-facing 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-Making[82]. 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.

(28) In order to ensure unform conditions for the implementation of Regulation (EU) 2019/2088 as amended by this Regulation, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council[83]

(29) The amendments to Regulation (EU) 2019/2088 should be reflected in Regulation (EU) No 1286/2014 of the European Parliament and of the Council [84]. 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.

(30) This Regulation adapts information requirements related to the degree to which financial products invest in sustainability-related activities, including activities that contribute to an environmental objective as set out in Article 9 of Regulation (EU) 2020/852, in light of the revised scope and subject matter. Given that the definition of the term 'sustainable investment' should be deleted and given the changes introduced by this Regulation to the disclosure requirements, the detailed disclosure requirements laid down in Articles 5 to 7 of Regulation (EU) 2020/852 become moot.

(31) To monitor the implementation of this Regulation and 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.

(32) Financial market participants shall start applying this Regulation 12 months after the date of application of this Regulation for IBIPs, pension products, pension schemes and PEPPs. 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.

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82 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).

83 Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13, ELI: http://data.europa.eu/eli/reg/2011/182/oj).

84 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).

(33) 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.

(34) Regulation (EU) 2019/2088 and Regulation (EU) No 1286/2014 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) to (28) 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;

(27) 'public sector bodies' 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; and

(28) 'environmental objectives' means the objectives referred to in Article 9 of Regulation (EU) 2020/852[*2], namely climate change mitigation and climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems.';

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[*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).

[*2] 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). ';

(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, provided that such information:

   (a) is not a central element of the pre-contractual disclosures of the financial product;

   (b) is not included in the KIID as referred to in Article 78 of Directive 2009/65/EC or the KID as referred to in Chapter II of Regulation (EU) No 1286/2014[*3];

   (c) 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 (a), 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 paragraph 1 shall be disclosed in the manner laid down in Article 6(3).

3. Financial market participants disclosing information under paragraph 1 shall include on an annual basis a description of the consideration of the sustainability factors in their periodic report. The conditions listed under paragraph 1, points (a) to (c), apply *mutatis mutandis* with regards to any sustainability-related information included in this periodic report.

4. The information referred to in paragraph 3 shall be disclosed in the manner laid down in Article 11(2).

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[*3] 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/2014/1286/2024-01-09).';

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

*'Article 7*

*Transition category: criteria and disclosures*

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 related to sustainability factors,

including environmental or social transition objectives in accordance with the binding elements of the investment strategy of the financial product, measured using appropriate sustainability-related indicator(s);

(b) they exclude investments in companies as referred to in Article 12(1), points (a), (b), (c), and (d) of Commission Delegated Regulation (EU) 2020/1818[*4], 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[*5]; or

(ii) where the proceeds do not fund any underlying activities as referred to in Article 12(1), points (a), (b) and (d), of Delegated Regulation (EU) 2020/1818, provided that the issuer of the use of proceeds instruments is not excluded under Article 12(1), point (c), of that Regulation.

(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; or

(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.

(d) they identify and disclose the principal adverse impacts of their investments on sustainability factors, and explain any actions taken to address those impacts.

Financial market participants may choose to comply in full or in part with the disclosure requirement described under the first subparagraph point (d) by using appropriate sustainability-related indicators.

The conditions described in the first subparagraph 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 Delegated Regulation (EU) 2020/1818, or an EU Paris-aligned benchmark that complies with the requirements laid down in Section 3 of Chapter II 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[*6], equal or higher than 15%.

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

(a) in accordance with Article 3 of Regulation (EU) 2023/2631; or

(b) where the proceeds do not fund any underlying activities excluded under Article 12(1), points (a), (b) and (d), of Delegated Regulation (EU) 2020/1818 or companies excluded under Article 12(1), 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, including:

(i) transitional economic activities as referred to in Article 10(2) of Regulation (EU) 2020/852;

(ii) taxonomy-eligible economic activities becoming taxonomy-aligned in accordance with point (b) of the first sub-paragraph of Section 1.1.2.2. of Annex I of Delegated Regulation (EU) 2021/2178.

(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, in combination with any of those referred to in points (a) to (d) or (h);

(f) investments pursuant to Article 9(2) in combination with any of those referred to in points (a) to (e);

(g) investments with a credible transition target set at the level of the portfolio, such as reduction of portfolio emissions over time;

(h) other investments in undertakings, economic activities or other assets that credibly contribute to the transition provided proper justification is included in the disclosures required pursuant to paragraph 3.

Where the financial product aims at meeting a clear and measurable transition towards the climate change mitigation objective, the credible transition plans, science-based targets and sustainability-related engagement strategy referred to in the first subparagraph points (c) to (e), the credible transition target set at the level of the portfolio referred to in letter (g) and the credible contribution referred to in letter (h), shall be compatible with the transition to a sustainable economy and with the limiting of global warming in line with the Paris Agreement and the objective of achieving climate neutrality as established in Regulation (EU) 2021/1119.

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 and relative share of investments referred to in paragraph 2;

(iii) any applicable phase-in period for the product to reach the threshold referred to paragraph 1, first subparagraph, point (a), following the period necessary to implement the investment strategy, in line with information set out in pre-contractual disclosures.

(d) where the product pursues an environmental objective, a statement on whether, and the extent to which, the financial market participant meets the requirement referred to in paragraph 1, first subparagraph, point (a), by investing in accordance with paragraph 2, first subparagraph, point (b).

(e) 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);

(f) 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;

(g) 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

(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.

*Article 8*

*ESG basics category: criteria and disclosures*

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 the consideration of sustainability risks, 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 appropriate sustainability-related indicator(s);

(b) they exclude investments in companies as referred to in Article 12(1), points (a), (b), (c) and (d), 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), (b) and (d), of Delegated Regulation (EU) 2020/1818, provided that the issuer of the use of proceeds instruments is not excluded under Article 12(1), 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 appropriate 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 the consideration of sustainability risks, 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 the financial product 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 and relative share 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), following the period necessary to implement the investment strategy, in line with information set out in pre-contractual disclosures.

(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).

*Article 9*

*Sustainable category: criteria and disclosures*

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 a clear and measurable objective related to sustainability factors, including environmental and social objectives, in accordance with the binding elements of the investment strategy of the financial product, measured using appropriate 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; or

(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.

(d) they identify and disclose the principal adverse impacts of their investments on sustainability factors, and explain any actions taken to address those impacts.

Financial market participants may choose to comply in full or in part with the disclosure requirement described under the first subparagraph point (d) by using appropriate sustainability related indicators.

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 bodies, with the exception of use of proceeds instruments issued by public sector bodies:

(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); or

(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; or

(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, including co-investments, that finance the same undertaking, project or portfolio identified in financing and investment operations benefiting from a Union budgetary guarantee or financial instruments under Union programmes pursuing environmental or social 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) investments in European social entrepreneurship funds (EuSEF) as referred to in Regulation (EU) No 346/2013of the European Parliament and of the Council[*7];

(g) other investments in undertakings, economic activities, or assets that contribute to an environmental objective or a social objective, 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 and relative share 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), following the period necessary to implement the investment strategy, in line with information set out in pre-contractual disclosures.

(d) where the product pursues an environmental objective, a statement on whether, and the extent to which, the financial market participant meets the requirement referred to in paragraph 1 point (a) by investing in accordance with paragraph 2 point (b);

(e) 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);

(f) 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;

(g) 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

(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.

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[*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] 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).

[*6] 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).

[*7] Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds (OJ L 115, 25.4.2013, p. 18, ELI: http://data.europa.eu/eli/reg/2013/346/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*

1. Financial products that claim that they combine financial products that are categorised as sustainability-related financial products shall be deemed to be compliant with the requirements of Articles 7, 8 or 9 if they meet the 70% threshold of investments referred to in paragraph 1 point (a) of those Articles by way of investments in categorised products or other investments that meet the requirements of Articles 7, 8 or 9, and comply with the exclusions in Articles 7(1), 8(1) or 9(1).

   For the purposes of assessing eligibility for a category as referred to in Articles 7 to 9, financial market participants may rely on the information disclosed in relation to their investments in, or exposure to, financial products categorised in accordance with those Articles.

2. For non-categorised financial products that claim that they invest in, are exposed to or 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).

3. Where financial market participants are provided with portfolio management services by entities authorised therefor in accordance with either Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/65/EU or Directive (EU) 2016/2341, they may rely on the information provided by those entities.';

(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 7(4), Article 8(3), Article 9(3) and Article 9(4);

   (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 on an annual basis 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), point (b).';

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

(d) paragraphs 4 and 5 are 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, other than open source or research freely available to the public, 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. Notwithstanding 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 to be disclosed pursuant to this Regulation.

2. Financial market participants may only include sustainability-related claims in the names and in the marketing communications of financial products referred to in Article 7(1), Article 8(1) and Article 9(1).

The claims in the names and in the marketing communications referred to in the first subparagraph shall be clear, fair, not misleading, and consistent with the sustainability features of those financial products.

3. Financial market participants may not include sustainability-related claims in the names and in the marketing communications of financial products referred to in Article 6(a).

Financial market participants may include sustainability-related claims in the marketing communications of financial products referred to in Article 9a provided those claims are clear, fair and not misleading, and consistent with the information disclosed in accordance with of Article 9a(1), points (a) to (c).

4. Financial products other than those referred to in Article 2, point (26), shall not use the term 'impact' in their name.

5. Where a financial market participant issues and discloses to third parties an ESG rating, as defined in Article 3, point (1), of Regulation (EU) 2024/3005 of the European Parliament and of the Council*[9], as part of its marketing communications, it shall include on its website the same information as that required by point 1 of Annex III to that Regulation and it shall disclose in those marketing communications a link to those website disclosures.

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[*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).

[*9] Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024 on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities, and amending Regulations (EU) 2019/2088 and (EU) No 2023/2859 (OJ L, 2024/3005, 12.12.2024, ELI: http://data.europa.eu/eli/ reg/2024/3005/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 defined, designated or specified 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 or other national 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-ended type which were created and distributed before [*the date of application of this Regulation*].

2. 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 [24 months after the date of application of this Regulation] 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 [*18 months after the date of application of this Regulation*], 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.[*10]';

(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.

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[*10] 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 [*36 months after the date of application of this Regulation*], 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;

(c) adjusting the proportion of investments in taxonomy-aligned economic activities needed to comply with the option under Article 7(1), third subparagraph, and Article 9(1), third subparagraph.';

(21) the following Articles 19a, 19b and 19c 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].

*Article 19b*

*Empowerments*

The Commission shall be empowered to adopt a delegated act in accordance with Article 19c to supplement:

(a) paragraphs 1, 2, 3 and 4 of Article 7 to specify:

  (a) the conditions for investments to contribute to the transition-related objective, and more in particular to specify:

    (i) indicator(s) building on the indicators referred to in Annex I to Commission Delegated Regulation (EU) 2022/1288[*11] and Commission Delegated Regulation (EU) 2023/2772 [*to be adapted to the new CSRD delegated act*][*12] for voluntary use by financial market participants when complying with paragraph 1, first subparagraph, point (a) and point (d);

    (ii) any limited permitted deviations from the exclusions referred to in paragraph 1, first subparagraph, point (b), including 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.

  (b) the details of the presentation of the information to be disclosed pursuant to paragraph 3, which shall not exceed two pages, and the information to be disclosed pursuant to paragraph 4, which shall not exceed one page.;

(b) paragraphs 1, 2 and 3 of Article 8 to specify:

  (a) the conditions for investments to integrate sustainability factors, and in particular to specify:

    (i) indicator(s) building on the indicators referred to in Annex I to Commission Delegated Regulation (EU) 2022/1288 and Commission Delegated Regulation (EU) 2023/2772 [*to be adapted to the new CSRD delegated act*] for voluntary use by financial market participants when complying with paragraph 1, first subparagraph, point (a);

(ii) any limited permitted deviations from the exclusions referred to in paragraph 1, first subparagraph, point (b), including 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.

(b) the details of the presentation of the information to be disclosed pursuant to paragraph 3, which shall not exceed two pages.;

(c) paragraphs 1, 2, 3 and 4 of Article 9 to:

(a) specify the conditions for investments to contribute to the sustainability-related objective, and in particular:

(i) indicator(s) building on the indicators referred to in Annex I to Commission Delegated Regulation (EU) 2022/1288 and Commission Delegated Regulation (EU) 2023/2772 [*to be adapted to the new CSRD delegated act*] for voluntary use by financial market participants when complying with paragraph 1, first subparagraph, point (a) and point (d);

(ii) any limited permitted deviations from the exclusions referred to in paragraph 1, point (b), including 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.

(b) specify the details of the presentation of the information to be disclosed pursuant to paragraph 3, which shall not exceed two pages, and the information to be disclosed pursuant to paragraph 4, which shall not exceed one page.

(d) paragraph 1 of Article 11 by specifying the details of the presentation of the information to be disclosed, which shall not exceed two pages.

*Article 19c*

*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 Article 19b shall be conferred on the Commission for an indeterminate period from [date of entry into force of this Regulation].

3. The delegations of powers referred to in Article 19b 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 where appropriate 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 Article 19b 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.

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[*11] 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).

[*12] 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).';

*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*

*Repeal of Commission Delegated Regulation (EU) 2022/1288*

Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 is repealed.

*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 [*18 months after entry into force*].

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

Done at Brussels,

| | |
|---|---|
| *For the European Parliament* | *For the Council* |
| *The President* | *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 action[85]

☐ 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

[85] 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

| |
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| 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*

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|---|
| 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

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

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| N/A |

## 2. MANAGEMENT MEASURES

### 2.1. Monitoring and reporting rules

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|---|
| 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*

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|---|
| 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

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|---|
| 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

| Reference to the requirement | Requirement description | Actor affected or concerned by the requirement | High-level Processes | Category |
|---|---|---|---|---|
| Article 3 | Transparency on sustainability risk policies in relation to the integration of sustainability risks | Financial market participants | | Data |
| Article 6 | Transparency on the integration of sustainability risks in pre-contractual disclosures for all financial products | Financial market participants | Publishing | Data |
| 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 | Financial market participants | Publishing | Data |
| Articles 7(3), 8(3) and 9(3) | Transparency on compliance with the criteria for categorised sustainability-related financial products | Financial market participants | Publishing | Data |
| Article 9a | Transparency for products that combine categorised financial products | Financial market participants | Publishing | Data |
| Article 10 | Transparency on websites on sustainability-related | Financial market participants | Publishing | Data |

| | | | | |
|---|---|---|---|---|
| | financial products | | | |
| Article 11 | Transparency in periodic reports on sustainability-related financial products | Financial market participants | Publishing | Data |
| Article 12a | Data and estimates | Financial market participants | Identification | Data |
| Article 13 | Marketing communications | Financial market participants | Identification | Data |
| Article 18a | Accessibility of information on the European single access point | Financial market participants | Reporting | Data |

### 4.2. Data

| **Type of data** | **Reference(s) to the requirement** | **Standard and/or specification (if applicable)** |
|---|---|---|
| Data on sustainability risks for entities/products | Articles 3 and 6 | N/A |
| Data on sustainability factors for non-categorised products | Article 6a | Subject to sectoral rules for pre-contractual disclosures |
| Data on compliance with the criteria for categorised sustainability-related financial products | Articles 7(3), 8(3) and 9(3); Article 10; Article 11(2) | Templates to be specified in implementing measures |
| Data on products combining categorised financial products | Article 9a | N/A |
| Data on sources and estimates used for ascertaining compliance with the criteria for categorised products | Article 12a | N/A |
| Data submitted to European single access point | Article 18a | Adjustment to the scope and timing of the existing requirement, to be specified in implementing technical standards |

**Alignment with the European Data Strategy**

The revised SFDR will support the general objectives of the European Data Strategy as it aims to ensure that data collection and reporting requirements 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.

**Alignment with the once-only principle**

The data required for defined specific purposes for categorised sustainability-related financial products under the revised SFDR will be largely reusable between them (i.e. pre-contractual and periodic disclosures for financial market participants' websites). The data required 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. The simplified data flows facilitate it to be findable, accessible, interoperable and reusable, and to meet high-quality standards.

**Data flows**

| **Type of data** | **Reference(s) to the requirement** | **Actor who provides the data** | **Actor who receives the data** | **Trigger for the data exchange** | **Frequency (if applicable)** |
|---|---|---|---|---|---|
| Data on sustainability risks for entities/products | Articles 3 and 6 | Financial market participants | Investors, general public | When updating information/when making available financial products | |
| Data on sustainability factors for non- | Article 6a | Financial market participants | Investors, general public | When making available financial | |

| | | | | | |
|---|---|---|---|---|---|
| categorised products | | | | products | |
| Data on compliance with the criteria for categorised sustainability-related financial products | Articles 7(3), 8(3) and 9(3); Article 10; Article 11(2) | Financial market participants | Investors, general public | When making available financial products | |
| Data on products combining categorised financial products | Article 9a | Financial market participants | Investors, general public | When making available financial products | |
| Data on sources and estimates used for ascertaining compliance with the criteria for categorised products | Article 12a | Financial market participants | Investors | Request from investor | |
| Data submitted to European single access point | Article 18a | Financial market participants | Investors, general public | Publication by FMP | |

### 4.3. Digital solutions

N/A, beyond adjusted requirement to submit relevant data to the European single access point, already established in existing framework.

### 4.4. Interoperability assessment

N/A, beyond adjusted requirement to submit relevant data to the European single access point, already established in existing framework.

### 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) 2020/852[86]. In addition, the Commission will develop disclosure templates in implementing measures envisages for core data flows

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

envisaged for categorised financial products under this Regulation.