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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party on Financial Services and the Banking Union (Sustainable Finance) Financial Services Attachés
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Subject:	SFDR Review - questionnaire after CWP of 20/1 - replies from 23 MS

SFDR - questionnaire after CWP on 20 January 2026 Deadline: ***30 January 2026***
From: AT, BE, BG, CZ, DE, DK, EL, ES, FI, FR, HR, HU, IE, IT, LU, LV, MT, NL, PL, PT, RO, SI, SK **Updated: 05/02/2026 11:17**

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Thank you for your cooperation!

Questions	Replies
2.1. Entities and services covered	
1) Do you support the removal of financial advisers from the scope, i.e. do you agree to remove the obligation for financial advisers to report sustainability-related entity-level information (sustainability risk policies, adverse sustainability impacts and integration of sustainability risks into remuneration policies) and product-level information (integration of sustainability risks into investment or insurance advice)?	AT (Replies): Yes, we support the removal of financial advisers from the scope, as this is consistent with efforts to simplify and reduce administrative burdens. However, it is essential that MiFID and IDD rules (delegated acts) apply at the same time in order to avoid inconsistencies or legal uncertainty. To ensure proper sequencing, it is important that this Regulation allows sufficient time for the revision of the relevant delegated acts. BE (Replies):

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Questions	Replies
	We believe financial advisers should remain out of scope and not be subject to entity-level disclosures. Current practices under the legal framework show that SFDR is primarily applied as a product-oriented regulation, rather than focusing on ESG aspects of distribution channels. However, if financial adviser/insurance intermediaries are no longer in the scope, we wonder whether the concept of "manufacturer of a pension product" could lead to discussion concerning insurance intermediaries who can be manufacturers within the meaning of the IDD Directive for insurance products. BG (Replies): We support the removal of financial advisers from the scope. CZ (Replies): CZ: We agree with the removal of financial advisers from the scope of the Regulation. DE (Replies): Yes. The SFDR should remain product focused. We support the decision to exclude both portfolio management as well as financial advisers from the scope of the SFDR. While we agree that portfolio management can have similarities in practice to other products covered by the draft SFDR 2.0, it is inherently different from those products. Keeping the SFDR product focused and simple / tailored to the needs of retail investors is key to making it a success.

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Questions	Replies
	Portfolio management and other services and products with sustainability objectives or aspects not covered by the SFDR should however be taken due account of when revising the distribution rules (MiFID II / IDD). DK (Replies): DK can support the proposal to remove financial advisors completely from the scope of the regulation, including both at entity and product level. However, it is important that the distribution rules in MIFID/IDD have appropriate references to the product categories and that the rules make it easy for investors to indicate their ESG preferences and protect investors. We expect the Commission to take the appropriate measures to amend MIFID/IDD based on the results of the SFDR negotiations. EL (Replies): EL: Yes, we support the removal of financial advisers, as we agree with the rationale presented by the Commission and the Presidency in the working paper. In our view, this removal is consistent with the broader simplification effort, which is essential for enhancing competitiveness. ES (Replies): We support the Commission's proposal to remove financial advisers and portfolio management providers and services from the scope of the SFDR, in order to refocus this regulation on financial products. We understand that both services, including portfolio management, will remain covered under the MiFID II and IDD delegated regulations, which will need to be adjusted, in particular as regards the concept of sustainability preferences. In this regard, the working party should further discuss on how

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Questions	Replies
	portfolio management services will be treated, including its potential interaction with Article 9a. Coordination and sequencing between the review of the SFDR and these Level 2 regulations will be crucial. It is important that their application is simultaneous, rather than sequential, in order to avoid misalignment and confusion among market participants. We would therefore favour including guidance on this point in the operative part of the text, and not only in recitals 7, 13 and 27, so as to ensure that the changes at Level 1 and Level 2 apply at the same time. FI (Replies): The removal of financial adviser from the scope seems to be appropriate. In our view the change of scope contributes to the simplification effort without jeopardizing the overall objective of the regulation. FR (Replies): We support the removal of financial advisors from the scope. HR (Replies): We agree with the removal of financial advisers from scope, both at entity-level and at product-level information. Moreover, we would welcome further clarification on how investment or insurance advice in relation to products under Articles 6 to 9a would function in this scenario, including the safeguards envisaged to ensure that clients interested in ESG products receive relevant, transparent and easy-to-understand information. It would be useful in order to better understand the intended proposal and to properly assess the implications of excluding financial advisers from the SFDR scope.

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Questions	Replies
	We find it important that during SFDR review, MiFID/IDD amendments are also being initiated and aligned with changes in SFDR as otherwise, we can't be sure that announced goals in relation to distribution especially organisational and governance requirements would be achieved and investor protection secured. IE (Replies): Yes, the removal of financial advisors is welcome to help address the complexity. IT (Replies): It would be useful to understand whether the Commission already has guidance on how the new classification rules introduced by the SFDR should be taken into account in the revision of the Level 2 provisions relevant to the MiFID II and IDD frameworks. Such preliminary indications would indeed enable a more comprehensive assessment of the SFDR review, also considering its interactions with and impact on the broader EU sustainability framework. Furthermore, we believe that the obligation to provide sustainability-related information should be assigned to financial advisors under the IDD. LU (Replies): LU welcomes the proposed removal of financial advisors from the scope of financial market participants which aligns with the pursued objective of simplification and burden reduction. Firstly, considering the intention to redesign SFDR as a product categorisation regime applicable to product manufacturers, we agree that financial advisers do

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Questions	Replies
	not manufacture or manage sustainability-related products, nor do they make them available to investors. They mainly act as distributors of such products. Besides, financial advisers are already subject to sustainability reporting obligations under other frameworks. It is important that we avoid redundant requirements and unnecessary duplications. We can therefore support the Commission's proposal on this specific point. The same goes for the simplification in matters of website disclosures, which we equally welcome as positive. LV (Replies): We support the exclusion of financial advisors from the scope of SFDR, in the section that advisors do not produce sustainability-related financial products, but we have wary or we are careful about the product-level sustainability disclosure obligations. Ensuring consistency between EU law and clarity for both advisors and direct investors, the sustainability obligations of advisors related to the product-level sustainability disclosure obligations should in future be strictly regulated in framework that ensures market transparency, data availability and guard against greenwashing. MT (Replies): Malta agrees to carve out financial advisors providing investment advice and investment firms providing portfolio management from the scope of SFDR. This is supported provided that the assessment of sustainability preferences by financial advisors within the suitability assessments remain applicable under the Markets in Financial Instruments Directive (MiFID) and the Insurance Distribution Directive (IDD) Delegated Regulations.

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Questions	Replies
	NL (Replies): We support this removal of financial advisors from the scope, since we believe the SFDR should focus more on products and financial advisors provide investment advise and do not manufacture, manage or make products available and have rather an indirect connection to these products. Additionally provisions should be amended to ensure clients of portfolio management are informed of the sustainability information of underlying products under MiIFID. We prefer MiFID to be amended after SFDR-negotiations have been finalized. PL (Replies): PL: Support. PT (Replies): Firstly, we would like to underline that our views are still preliminary, and **subject to a scrutiny reservation**, as the national position is still being finalized. Portugal agrees with the need to refocus the SFDR on materially relevant transparency and to redesign it as a product categorisation regime applicable to financial market participants which manufacture, manage or make available sustainability-related products. Considering that financial advisers providing investment advice do not manufacture or manage sustainability-related financial products, nor do they make such products available to investors, we agree that they can be carved out of the scope of SFDR. RO

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Questions	Replies
	(Replies): Scrutiny reservation, but we are in favor of simplifying the framework, so we support the proposal for removing both financial advisors& portfolio management services from the scope of SFDR. SI (Replies): Yes SK (Replies): We support the removal of financial advisers from the scope of regulation.
2) Do you support the removal of portfolio management providers and services from the scope? If not, how do you propose that this is captured under SFDR?	AT (Replies): Yes, see above. BE (Replies): Regardless of how it is incorporated within the sustainable finance framework (through MIFID delegated regulation amendment or under the article 9a), portfolio management should be included within the framework to ensure alignment with the sustainability preferences expressed by clients under MiFID II. Without such possibility to propose sustainable finance portfolio management, direct share investment will be fully excluded from the scope of instruments matching sustainability preferences from an investor. BG (Replies): We support the removal of portfolio management providers and services from the scope.

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Questions	Replies
	CZ (Replies): CZ: We support the removal of portfolio management providers and services as well. DE (Replies): Yes, see above. DK (Replies): DK can support the proposal to remove portfolio management from scope, but only if credit institutions and investment firms are considered sufficiently covered by the distribution rules, which we would like to discuss in further detail with MS in upcoming CWP. EL (Replies): EL: We have not finalized our view yet. We tend to agree with the removal of portfolio management providers on the same rationale as on answer (1). FI (Replies): Preliminarily we do support the removal of portfolio managers providers and services from the scope. As seen in the CWP, this is possibly slightly more complex than the removal of financial advisers, since there might be a lack of uniform sustainability information concerning portfolio management. However, this risk is somewhat mitigated by the MiFID obligations and the inclusion of portfolio management in Article 9 a.

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Questions	Replies
	FR (Replies): We do not support the removal of portfolio management providers and services from the scope. Their inclusion is justified for two reasons: - For private clients, portfolio mandates are usually offered as part of the same advisory process as funds. It is essential to ensure that both types of products are subject to homogeneous requirements. Given the high degree of similarity between funds and mandates, in terms of technical construction, underlying assets, or end-use, applying identical rules would be practical and coherent. - Excluding mandates exacerbate greenwashing risks. Under SFDR, products with ESG claims are required to disclose their ESG characteristics in pre-contractual documentation and to demonstrate that they meet their ESG claims impact in periodic reports. And non-ESG financial products must disclose how they integrate sustainability risks. In contrast, non-SFDR products, including managed portfolios, often have sustainability features but are not subject to standardized reporting obligations and rely on internal frameworks. This disparity undermines consumers' ability to compare the ESG features of different investment options. We note that the portfolio management providers are currently included in the scope in a limited way at article 9.a, and the public consultation on the UK SDR showed support for extending SDR to portfolio management. HR (Replies): We support the removal of portfolio management providers and services from the scope. However we would welcome further clarifications on the way this will be addressed under Article 9a. HU (Replies):

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Questions	Replies
	We consider it appropriate that portfolio management should be excluded from the scope of the regulation. IE (Replies): Yes, this is considered a positive and consistent with the focus on the manufacture of products, and simplification of the regime. IT (Replies): The rationale underlying the policy decision to remove portfolio management from the definition of financial products under the SFDR, and simultaneously to exclude portfolio management service providers from the definition of financial market participants, remains unclear and unconvincing. Particular uncertainty arises from the final paragraph of Recital 7 of the amending SFDR Regulation. Furthermore, the partial reference to portfolio management services in paragraph 3 of Article 9a is viewed as contributing to additional ambiguity rather than improving clarity LU (Replies): LU generally supports the removal of portfolio management services from the scope. Nevertheless, they need to be taken into account when designing revised MiFID sustainability preferences: if the new categorised products only would qualify in case of such preferences, portfolio management services would no longer be able to meet these preferences. LV

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Questions	Replies
	(Replies): We are cautious about excluding portfolio management service providers from the scope of SFDR. We would not support a full removal. Portfolio management is an important channel for capital allocation in the real economy and excluding it could create regulatory arbitrage and weaken comparability across investment services. If simplification is needed, it should come via streamlined disclosure routes. Impact investments may need to be subject to a horizontal disclosure approach for all products covered to achieve investor expectations for investments made with a view to achieving both financial returns and social and/or environmental impacts. Additional discussions are needed for the explanations on the exclusion of portfolio management services. MT (Replies): Malta supports the removal of portfolio management providers and services from the SFDR review scope. NL (Replies): We support the is removal of portfolio management providers from the scope, since we believe the SFDR should focus more on products and financial advisors provide investment advise and do not manufacture, manage or make products available and have rather an indirect connection to these products for similar reasons. For next CWP, it would be helpful to clarify Could the Commission clarify whether, following the exclusion of portfolio management from the SFDR's scope, portfolio managers may still voluntarily disclose under Article 9a? . Within this context, if so, how will the Commission ensure that this does not create uncertainty or lead to we have

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Questions	Replies
	some concern that this may lead to an unlevel playing field where some portfolio managers disclose and others do not? PL (Replies): PL: In general, we are supportive – however, the proposed Regulation lacks clarity regarding how institutions providing portfolio management services should disclose ESG factors in their model investment strategies, and whether specific requirements will apply to them. It is also unclear how existing products currently disclosed under Articles 8 and 9 of the SFDR will be treated. We believe the Regulation would benefit from clearer guidance on these issues, particularly given portfolio managers' obligations to assess clients' sustainability preferences and the resulting uncertainty around the classification of model strategies and their alignment with those preferences. PT (Replies): Portugal views the exclusion of discretionary portfolio management services from the direct scope of the SFDR as positive, given the practical and supervisory difficulties experienced under the current scope of the SFDR. RO (Replies): YES, see the above. SI (Replies): Yes SK

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Questions	Replies
	(Replies): We support the removal of portfolio management providers and services from the scope.
3) Do you agree that portfolio management services are sufficiently covered under Article 9 (a)?	AT (Replies): In general, yes. However, we are looking forward to further eleborate the details in the CWG dealing with Art 9a specifically, e.g. with regard to MOPs . BE (Replies): The option to include portfolio management under the proposed Article 9a as a combined product seems appropriate but should be further developed in this article, for instance by providing an indication that portfolio management falls within its scope. Furthermore, the definition of portfolio management and its inclusion within the definition of a financial product should remain in Article 2. BG (Replies): In our view the rationale behind the proposed Art. 9a, par. 3 should be clarified. Portfolio management is deleted from the scope and it is not clear what information is expected to be provided by the authorised entities in this regard. CZ (Replies): CZ: Yes, we agree. DE

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Questions	Replies
	(Replies): We are still analysing Article 9a and appreciate the chance to discuss this Article in depth in one of the upcoming CWP. As of today, it is not fully clear what exactly will be covered by this article and further explanation would be welcome. DK (Replies): DK's answer depends on the expected clarification on article 9(a), and how portfolio management is expected to be covered. EL (Replies): EL: We are still assessing. FI (Replies): Yes, however, further guidance (i.e. in recitals) might be beneficial. FR (Replies): At this stage, our position remains preliminary, as we seek to fully understand how the Commission intends to address portfolio management services under MiFID. We are particularly focused on clarifying the scope and implications of any proposed changes. In our view, the Commission's approach could introduce significant and tailored additional requirements for portfolio managers. These requirements would likely go beyond the mere collection of sustainability preferences, potentially increasing complexity and compliance burdens. A more effective solution might involve strengthening the existing Article 9(a). Therefore, we suggest these three measures:

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Questions	Replies
	1. all portfolios managed by a portfolio management provider shall be subject to Article 6 SFDR on sustainability risk integration, as this type of disclosures remains of interest to investors; 2. pre-contractual disclosures of categorized managed portfolios under Articles 7, 8 and 9 SFDR could be limited to whether the portfolio belongs to a category or not, as the relevance of pre-contractual disclosure is limited for managed portfolios; pre-contractual disclosures of non-categorized managed portfolios under Article 6 should include a statement that the product does not belong to any EU category of sustainability-related products; 3. as regards periodic disclosures, Article 11 should apply to categorized portfolios, as these disclosures aim to demonstrate to investors how the FMP has met the criteria of the categories. The associated costs will depend on the specific client requirements regarding PAI and sustainability indicators, which will be defined during the co-design of the investment strategy. HR (Replies): We consider that Article 9a would require further elaboration and clarification. Without further specification, Article 9a risks creating legal uncertainty for market participants and supervisors alike, and may lead to inconsistent application across Member States. For example, the meaning and scope of the term “that claim”. IE (Replies): We are supportive of this, in principle, which is consistent with moving the SFDR from a disclosure regime to one that focuses on Product Categories. We

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Questions	Replies
	look forward to discussing this topic and receiving further clarifications at the next dedicated CWP. IT (Replies): It is considered necessary to provide an overall clarification of Article 9a, as its scope of application—particularly with respect to portfolio management services—is currently insufficiently defined. Uncertainties persist regarding the type of information that should be provided by the entities referred to in paragraph 3 and the activities or products to which such information should relate. It also remains unclear whether paragraphs 1 and 2 should be interpreted as applying to portfolio management services or, alternatively, to specific categories of complex products. In particular, the scope of paragraph 3 of Article 9a is not clearly delineated, and Recital 23 does not offer sufficient elements to clarify it. Multiple interpretative options therefore remain open: on the one hand, the possibility that the provision concerns delegation or outsourcing arrangements whereby the management of all or part of a fund's portfolio is assigned to a MiFID entity providing portfolio management services; on the other hand, the possibility that it refers to portfolio management services investing in funds falling under the new categories introduced by the SFDR regime. Even assuming that the legislative intention were to encompass the latter scenario, residual areas would nonetheless remain outside the scope of the provision. In particular, discretionary portfolios invested directly in financial instruments such as bonds, equities, or sovereign debt would fall outside the remit of Article 9a, resulting in an inconsistent application of the rule. In light of the above, a clarification appears necessary to define unequivocally the subjective and objective scope of Article 9a, specifying both the range of activities covered and the nature of the information required from the entities concerned. LU

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Questions	Replies
	(Replies): With regards to portfolio management services covered under Article 9 (a), we are still assessing the adequate coverage. We would like to highlight that paragraph (3) shall be extended to portfolio managers authorized outside the EU. LV (Replies): Only partially. Article 9(a) relies heavily on the classification of underlying products. As a result, portfolio management strategies based on bespoke mandates, mixed-asset structures or approaches that are not directly linked to product-level sustainability features are only partially captured. It would be important to clarify the division of responsibilities among the relevant institutions, particularly because market participants themselves are best positioned to assess the sustainability characteristics of their investments. If the overarching objective is to define what constitutes "sustainable investments", this could be addressed directly in the definitions section rather than through additional procedural criteria, which risk creating unnecessary administrative burdens. At the same time, if an investment contributes — even to a limited extent — to environmental or other sustainability objectives, it should be possible to recognise it as a sustainable investment. MT (Replies): Malta agrees that portfolio management services are sufficiently covered under Article 9(a). NL

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Questions	Replies
	(Replies): See answer to Q3. PL (Replies): PL: Not entirely. Article 9a would benefit from further clarification, in particular regarding how the Commission intends to interpret and apply it in practice. It is also unclear how Article 9a would operate in the context of Multiple Option Products (MOPs), including insurance-based investment products structured as MOPs. Moreover, as Article 9a applies to financial products, additional guidance would be welcome on its implications for portfolio management, which would no longer be classified as a financial product. PT (Replies): As mentioned, while Portugal agrees with the exclusion of portfolio management services from the direct scope of the SFDR, it should be ensured that the sustainability preferences regime in MiFID II is consistent with new SFDR. Furthermore, the interplay between Article 9(a)(3) and the exclusion of portfolio management services should be clarified. RO (Replies): As regards Art.9a, we are still analyzing it and we think further clarifications are needed. SI (Replies): Yes SK

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Questions	Replies
	(Replies): We are still analysing Article 9 (a), but we are not sure whether it sufficiently covers portfolio management services.
4) Do you have any other comments or proposals under this section?	AT (Replies): It is crucial that the requirements in Article 9a are designed in a way as to avoid any circumvention or weakening of the 70% contribution threshold. BE (Replies): We believe that an internal fund held by an insurance company should also be included within the framework of SFDR. Indeed, based on current insurance practice—at least in Belgium—it is very common for Belgian insurer to link internal funds to the insurance contract. In order to provide useful information to policyholders in case of MOP's, Belgian insurers provide SFDR information at the level of investment options, regardless of whether they consist in internal funds held by the insurer undertaking. We therefore suggest clarifying that internal funds held by insurance undertakings fall within the scope of financial product. We suggest adding within the article 2 a definition of internal fund of an insurance company. "Article 2 For the purposes of this Regulation, the following definitions apply: (12) 'financial product' means: (a) a portfolio managed in accordance with point (6) of this Article (b) an alternative investment fund (AIF);

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Questions	Replies
	(c) an IBIP; (d) a pension product; (e) a pension scheme; (f) a UCITS; or (g) a PEPP; or (h) **an internal fund linked to one of the above-mentioned product**. (**29) 'internal fund' means an internal fund held by an insurance undertaking as referred to in article 132.3 of the Directive 2009/138/ EC of the European Parliament and of the Council (Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance).** For pension products, more precisely the IORPs, we note that SFDR disclosures are of little use for members in the case of pension schemes with compulsory membership and no investment options. We suggest then removing the obligation to provide SFDR precontractual disclosure to the members for a pension product where members are automatically enrolled in. BG (Replies): Article 9a, par, 1 and 2 will also merit from further clarifications. CZ (Replies): CZ: We believe that registered (i.e. unlicensed) alternative investment fund managers could also be excluded on the basis of proportionality, as these funds focus on professional investors. It should be the responsibility of such professional investor to evaluate ESG claims of these products. We support the wording proposed by DK in Article 1:

Questions	Replies
	(Drafting suggestions): Insert new (2) "This Regulation does not apply to registered AIFMs and products only targeting professional investors within the meaning of *[insert reference to relevant legal definition]"* DK (Replies): DK suggests to remove the obligation to disclose information on sustainability risks in article 3 completely as an additional step towards simplification and to have SFDR 2.0. focus solely on product disclosure requirements. DK finds article 3 disclosure requirements less significant today, as the integration of sustainability risks into general risk management has largely become a standard requirement in sector regulation since the introduction of the SFDR 1.0. EL (Replies): EL: We are concerned about the removal of portfolio management service providers from the definition of Financial Market Participants, as well as the exclusion of portfolio management from the scope of financial products. We consider that further clarification is necessary. HR (Replies): At this stage these are our preliminary views. HU (Replies): We believe that the removal of "managed portfolios" would significantly affect the sustainability disclosure practices established in the Hungarian

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Questions	Replies
	insurance sector and would also have a negative impact on the transparency of environmental/social characteristics and sustainable investments. In Hungary, insurers generally invest technical reserves from insurance-based investment products (IBIPs) in separate asset funds created by the insurer. These asset funds have their own investment policies, consist of notional units, are not traditional financial products, but are considered financial products under the SFDR if they are managed by an asset manager or investment firm under a portfolio management agreement. According to the proposed amendment to the COM, Hungarian asset funds underlying Hungarian IBIPs would no longer be classified as financial products, so most Hungarian insurers offering IBIPs with asset fund investment options would only be subject to limited disclosure requirements under Article 22 of the SFDR RTS, instead of the currently required full template-based disclosure. IE (Replies): None LU (Replies): Considering that the entities mentioned above will be out of scope after the entry into force of the revised SFDR, LU would like to know if discussions are planned on transitional measures of a "stop- the- clock" nature under SFDR, particularly with respect to PAI disclosures, and more generally for banks and investment firms, prior to the entry into force of the revised SFDR. As a general remark, narrowing the material scope of SFDR will have potential implications for distribution chains and advisors' sustainability claims under other regimes (MIFID II and IDD). The risk is to have a more fragmented set of

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Questions	Replies
	sectoral rules, it is therefore important to ensure consistency and comparability of sustainability-related information across the value chain. LV (Replies): We suggest that any approach should be based on practices aligned with other elements of the SF framework, i.e. the Omnibus proposal narrows the scope of companies that would have to comply with the CSRD requirements, corporate sustainability reporting provides insights that can be integrated into a company's management systems to uncover new opportunities and improve overall performance. Our priority is regulatory coherence. It's important to avoid overlaps and to ensure that any SFDR revision reduces fragmentation, improves comparability and does not create incentives to relocate activities outside the EU. MT (Replies): Malta does not have any further comments. NL (Replies): No further comments. PL (Replies): PL: Question: Could you please clarify why pension funds have not been excluded? In particular, we're referring to smaller pension funds where participants are not offered any choice or discretion regarding investment options (for example, sustainable versus non-sustainable investments)? PT

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Questions	Replies
	(Replies): N/A. RO (Replies): No other comments SI (Replies): /
2.2. Products covered	
5) Are you in favour of/against extending the scope of financial products to structured products? If so, which ones, how would you define and capture them, and would you consider there is a need for any specific treatment (e.g. from the criteria of the categories)?	AT (Replies): Based on our current assessment, the scope proposed by the Commission appears to be well balanced. BE (Replies): We believe that structured products should be included within the scope of SFDR. Structured notes are frequently offered to retail investors as competitive alternatives or alongside funds and often promote ESG characteristics. Including these products under SFDR will improve comparability and create a fair legal framework for competing products. Additionally, certain structured products offer capital guarantees, making them suitable for investors with defensive profiles but light or strong sustainability preferences. By including structured notes within SFDR, intermediaries can match these products with ESG preferences under a single, consolidated framework. We share the Commission's concerns regarding the difficulties in

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Questions	Replies
	defining structured products to include them within the scope. However, we do not believe that this is a sufficient reason not to include them. As an initial drafting suggestion, the definition of 'structured product' within the SFDR could be clarified by referring directly to existing MiFID II definitions. In particular, a cross- reference could be made to the definition of 'structured deposits' in Article 4(1), point 43, and to the definition of 'transferable securities' in point 44 of the same Directive. However, point (a) including the definition of 'transferable securities' should be excluded, as it relates to shares of companies and therefore falls outside the intended scope. BG (Replies): We would not support extending the scope to structured products taken into account the explanation provided by the Commission. Any proposal to include new products in the scope should be accompanied by thorough impact assessment in order to make an informed decision. CZ (Replies): CZ: We are against extending the scope in this manner. DE (Replies): With regard to structured products, we would like to understand what it would mean to open the SFDR 2.0 to this product class. While we remain open to discuss an inclusion, we want to keep the SFDR simple and are concerned that an inclusion might jeopardize simplicity, especially with regard to product categories.

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Questions	Replies
	Other options, for example an inclusion within the revision of the MiFID rules, could be a suitable alternative and should also be considered. DK (Replies): DK does not yet have a position on structured products. We consider it important to have a thorough discussion on any necessary potential extension of the scope of the regulation before introducing new requirements. EL (Replies): El: We do not see clear added value in extending the scope of financial products to include structured products. While we acknowledge the intention to broaden coverage, we consider that such an expansion may introduce additional complexity without a proportionate benefit for investors or for the overall functioning of the framework. ES (Replies): We still do not have a definitive position on the extension of the SFDR scope to include structured products. We would be pleased if we could collectively analyse the potential challenges that may arise when defining what should be understood as “structured products” for the purposes of the SFDR, and the implications in terms of supervisory practices and regulatory burden. FI (Replies): Provisionally the proposed scope seems to be appropriate. FR

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Questions	Replies
	(Replies): We support the extension of the scope of financial products to include structured products. - Excluding structured products while including other retail products that are distributed in a similar manner creates an uneven regulatory landscape and an unfair level playing field. - Contrary to concerns about overregulation, there is strong demand from the industry itself for such an extension. This aligns with our broader objectives and does not conflict with our goal of simplification. The definition of structured products will need to be carefully refined in the coming months. We still have to assess whether the definitions under MiFID or PRIIPs are fit for purpose or if adjustments are required. We do not foresee the need for any specific treatment that would imply loosening the criteria. Instead, we await EU-wide industry feedback on the current set of criteria to determine their suitability and will reflect on this input before finalizing our position. HR (Replies): At this stage, we are still reflecting on this question and have not yet reached a final position regarding a potential extension of the scope to structured products. We are still assessing the potential extension of the SFDR product scope to structured products. However, we are less inclined to support such an extension, given the complexity and heterogeneity of structured products and the challenges this may pose in terms of consistent classification, disclosure and effective comparability for investors. HU (Replies):

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Questions	Replies
	We believe that the extension of the scope of the regulation to structured products is worth considering what it could achieve and what its effects might be. IE (Replies): Expanding the scope to include structured products presents challenges, particularly when where there is a scarcity of reliable ESG data for unconventional underlying assets. This heightens the risk of greenwashing, where sustainability claims fail to accurately reflect the product's actual profile. These data gaps may result in a misalignment with regulatory frameworks like MiFID. IT (Replies): It is confirmed that the preferred approach would be to broaden the scope of the SFDR as extensively as possible so as to include, in principle, all financial instruments falling within the scope of MiFID. Such an approach would ensure more effective interaction between the SFDR framework and the MiFID II distribution rules, thereby enabling a meaningful alignment between products' ESG features and clients' sustainability preferences within the suitability assessment process. Should this preferred approach not be taken forward, the following alternatives are proposed: (i) ensuring clear coordination of distribution rules with other existing EU sustainability frameworks applicable to financial instruments (such as the EU Green Bonds Regulation), and (ii) extending the scope of the SFDR to at least include structured products. In this regard, as already observed, market experience indicates that structured products—specifically investment certificates—may display sustainability characteristics or be marketed as "green" (e.g., green certificates) due to compliance with international standards (such as ICMA principles). These

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Questions	Replies
	products are offered to retail investors in Italy on the basis of prospectuses that include information on their sustainability characteristics. In practical terms, the proposal to extend the applicability of the SFDR to all products within the scope of the PRIIPs Regulation is reiterated. This would likely require an expansion of the categories of entities subject to the SFDR to include all PRIIPs manufacturers (including, for instance, investment firms or credit institutions acting as manufacturers or issuers of PRIIPs). Furthermore, it is noted that it would be necessary to identify, under Article 6(3) SFDR, the most appropriate documentation to which sustainability disclosures for categorised products should be attached (e.g., the Prospectus). In this context, and in view of broader objectives related to simplifying and facilitating the investor journey, a more ambitious alternative approach could also be considered. For retail investors, it could be deemed sufficient to provide standardised information in the section "How sustainable is this product?" of the KID, specifying the product's sustainability category (pursuant to the new Articles 7, 8 or 9) along with a description of its objective and relevant indicators. With regard to the additional disclosures currently required to be attached to the documentation identified under Article 6(3) SFDR, it is noted that such detail appears excessive for retail clients, as supervisory experience has also confirmed. It is suggested that this more detailed information could primarily remain a technical communication between the manufacturer and the distributor. The exchange of such information is indeed essential to ensure meaningful and consistent product classification, also for the purposes of distribution rules such as the MiFID assessment of sustainability preferences within the suitability process. LU (Replies): We are still analysing this question. However, we would welcome a clarification around the definition of "structured products". s)

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Questions	Replies
	LU would like to better understand the implications resulting from a potential inclusion of these products, bearing in mind the overall objective of simplification. LV (Replies): We are flexible on extending the scope of financial products to structured products. Extension should involve in relation to ensuring a level playing field, avoids greenwashing loopholes, and supports retail investor comparability across product wrappers. Structured products should be clearly defined and captured within SFDR as packaged financial instruments with derivative based payoff structures. They should be eligible for categorization under the sustainable, transition, or ESG basics categories, provided they meet the same ambition levels, sufficient granularity and exclusions. MT (Replies): Malta is neutral on this matter. Locally, structured investment products are not widely marketed. However, should such extension result, Malta expresses caution on the complexity and investor compatibility concerns in relation to structured products. NL (Replies): Our preliminary view is to support maintaining the current approach, whereby structured products are not included in the scope of the SFDR. PL (Replies):

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Questions	Replies
	PL: In PL's view, simplification should be permitted for structured deposits and IBIPs in the form of structured products offered to retail clients and marketed as ESG-promoting, where premiums are invested in index-linked debt instruments and returns may depend on index performance at maturity. PT (Replies): As mentioned before, we are still **subject to a scrutiny reservation**. However, Portugal would not oppose bringing structured products into the scope of the Regulation, as they generally have sustainability "characteristics" or are often labelled as "green". RO (Replies): As mentioned before, this is a preliminary position, we have no strong opinion on the inclusion of structured financial products, but at this point we prefer not to be included. SI (Replies): We agree with the proposal not to extend the scope with structured products. As explained by the Commission, how to convey any sustainability features of these and other financial products outside the SFDR to investors could be addressed in amendments to MiFID and IDD level 2 rules SK (Replies): We are not in favour of any extension of the scope.
6) Are you in favour of/against allowing exclusions for financial products targeted solely to professional investors? If so, which products and from which provisions?	AT (Replies):

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Questions	Replies
	In our opinion, sufficient and comparable standards in sustainability information are of importance for market transparency, also for professional investors. Therefore, we are not in favour of excluding financial products targeted solely to profesional investors. BE (Replies): We are not in favour of limiting the reporting obligation for financial products targeting solely professional investors. Although professional investors have knowledge of financial risks and implications, they are not in a position to apprehend the environmental characteristics and performance of products they purchased. Furthermore, even if a financial product includes sustainability-related investments, categorization remains optional as long as there is no marketing communication regarding the product's sustainability-related characteristics. We therefore do not see any scenario in which SFDR categorization requirements could constitute a burden for FMPs offering their products to professional investors. BG (Replies): We are against allowing exclusions for financial products targeted solely to professional investors as this would lead to unlevel playing field. The objective of SFDR is all products in the scope that make ESG claims to be obliged to disclose information. In addition, professional investors are also subject to requirements to disclose sustainability information regarding their own investments and in this case they would have to gather themselves this information instead of using standardized information. CZ (Replies):

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Questions	Replies
	CZ: We are in favour of allowing exclusions when the product is offered to professional investors only. DE (Replies): While we do not have a final position on this issue, in our view, special provisions for products targeted exclusively at professional investors could be considered. As in other parts of the financial products regulation, professional investors have different means than retail investors and therefore regulatory intervention is in general less required in those circumstances. What was the sentiment behind removing the exemption for AIFMs distributed exclusively at professional investors that was included in an early version of the draft proposal? DK (Replies): DK would prefer to remove registered AIF managers and products solely targeting professional investors completely from the scope to focus the regulation on products targeted retail investors only. There are already limited investor protection rules for registered AIF products, and professional investors are generally expected to have closer dialogue with the financial market participant as well as a greater understanding of the financial products. We kindly ask the Commission to elaborate their argumentation for keeping products marketed to solely professionals within scope. EL

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Questions	Replies
	(Replies): EL: We are not in favour of excluding professional investors, since the simplified disclosures already provided for in sectorial legislation are adequate ES (Replies): We would be in favour of maintaining AIFs sold only to professional investors within the scope of the SFDR. We consider that keeping them in scope would bring more advantages than disadvantages. The feedback we have received is that "green" products targeted exclusively at professional investors, when they fall under a specific category (for instance in syndicated debt issuances), are able to attract a wider range of investors. Therefore, keeping these products in the scope not only helps to avoid risks of confusion and greenwashing, but also contributes to diversifying demand. FR (Replies): We are against exclusions for financial products targeted solely to professional investors, as such exclusions would undermine the objectives of transparency and comparability. Given that these products are increasingly distributed and attract strong investor interest, excluding them could create a significant regulatory loophole, compromising the integrity and effectiveness of the framework. This would be particularly concerning, acknowledging that retail investors may have access to these funds through some insurance products. HR (Replies): We do not support exclusions for financial products targeted solely to professional investors. Professional investors also rely on transparent, consistent and comparable sustainability-related disclosures in order to

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Questions	Replies
	adequately assess risks, impacts, opportunities and product characteristics. From a supervisory perspective, maintaining a consistent scope of application across products contributes to legal certainty, effective supervision and a level playing field among market participants. HU (Replies): We do not consider it appropriate to differentiate between regulations on the basis that the product is intended exclusively for professional investors. Although there may be arguments in favor of this, professional investors are not necessarily institutional investors. It should be clarified what kind of exclusion is involved. IE (Replies): We would have some concerns with excluding financial products targeted solely at professional investors from scope, for the following reasons: - We would like to better understand the rationale for distinguishing between the two types of investor. ESG investing should be important to both cohorts. - level playing field issue – may disincentivise development of sustainable products which might be seen to be burdensome. - It would somewhat contribute to a lack of comparability of the sustainability profile of different products. - May increase risks of greenwashing if allowing exemptions where ESG claims might be made in marketing but do not adhere to the 70%. - professional investors (e.g. insurers and pension funds) also need information on their products, to meet their own obligations. They, or their customers, may want this information anyway. IT

Questions	Replies
	(Replies): It is considered appropriate not to allow exclusions for financial products that are targeted solely at professional investors, including those managed by registered AIFMs. Maintaining such products within the scope of the SFDR is deemed necessary to ensure consistency and comparability in the provision of sustainability-related information across different categories of financial products. This approach also reflects the fact that products intended exclusively for professional investors—such as certain UCITS or AIFs—may subsequently be used as underlying investments of other funds or insurance-based products subscribed by retail clients. LU (Replies): LU sees merits in considering an exclusion for financial products targeted solely to professional investors. In particular, unregulated AIFs restricted to professional investors should be able to opt out, recognising their bespoke nature, extensive due diligence, and regulatory safeguards. In response to the argument raised by some MS that this exclusion is not relevant because of the voluntary framework, we refer to our point below on a necessary smooth transition (question 12). LV (Replies): Different disclosure needs may need to be subject to a horizontal disclosure approach for all products covered to achieve investor expectations for investments made, in same time maintain coherent legal certainty, comparability, and supervisory consistency. We are cautious because a limited exclusion could be considered for certain provisions, but core anti-greenwashing safeguards should apply regardless of investor type.

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Questions	Replies
	MT (Replies): Malta agrees to allow exclusions for financial products targeted solely to professional investors, with respect to the following products: a) a portfolio managed in accordance with point (6) of this Article; b) an alternative investment fund (AIF); c) an insurance-based investment product (IBIP); d) a pension product; e) a pension scheme; f) an undertakings for collective investment in transferable securities (UCITS); or g) a pan-European personal pension product (PEPP) NL (Replies): We support including AIFs within the scope of the SFDR. Nevertheless, we are not in favor of exemption for products targeted to professional investors. It can lead to uneven playing field and cause transparency problems further in the investment value chain. PL (Replies): PL: In our opinion, some simplifications may be possible for products targeted solely at professional investors. However, an analysis should be carried out if such products are not ultimately offered to retail clients. PT (Replies): We would like to understand the scope of the exclusion of professional investors. Specifically, we would like to understand whether it is an exclusion

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Questions	Replies
	on the requirement to provide the environmental or social information, or it is an exemption from the uniformised details of the content and presentation of such information stemming from the RTS. RO (Replies): For comparability and transparency, we do not support the exclusion of products targeted solely to professional investors. SI (Replies): We agree with the Commission's proposal. We are in favour of establishing a harmonised EU product categorisation framework for sustainability-related financial products in the context of the SFDR review. A clear categorisation system would support transparency and comparability of sustainability-related information across financial products, reduce market fragmentation in how products are presented to end investors and help align regulatory expectations across jurisdictions. SK (Replies): If FMP wants to offer a categorised sustainable financial product, all the criteria should be met (regardless of the target investor group). However, if FMP is not declaring any financial product as a sustainable, Art. 3 could not apply at all if he is offering products only to professional investors.
7) Do you have any other comments or proposals under this section?	AT (Replies): As it is envisaged not to amend the references to the current SFDR in Articles 5 to 7 Taxonomy Regulation, we wonder whether this could lead to confusion and legal uncertainty. We have doubts as to whether the wording in the recital is sufficient.

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Questions	Replies
	CZ (Replies): CZ: Not at the moment. DK (Replies): - EL (Replies): EL: As a general remark on the issue of how to convey any sustainability features of financial products outside the SFDR, in our opinion, it is important to maintain alignment across different regulatory frameworks to avoid investor confusion and to support meaningful comparability. Also, we need to ensure that the distinction between products within the SFDR scope and those outside remains both clear and operational in practice. We would welcome further clarification on the approach. HR (Replies): It is of utmost importance to clarify the numerous vague and overly general terms used in Articles 7 to 9, as well as throughout the text, and to replace them with concrete and unambiguous terminology. We intend to provide a more detailed analysis and concrete proposals in the forthcoming discussions, once invited by the PRES team, in order to contribute constructively to further clarifications and refinements of the text. In the meantime, below we identify several key terms that are currently formulated in an insufficiently precise and overly generic manner.

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Questions	Replies
	IE (Replies): None IT (Replies): It is considered appropriate that the regulatory proposal include standardised templates, in order to ensure disclosures that are clear, fair and not misleading, to enhance comparability across financial products, and to support effective supervisory activity by national competent authorities. In addition, with regard to product-related obligations, Article 9a should more explicitly address the responsibilities of manufacturers of packaged retail and insurance-based investment products (MOPs), providing clarity on the duties applicable to underlying investment options—particularly where these do not qualify as stand-alone financial products, such as internal funds of insurance undertakings. LV (Replies): Avoid expanding scope in ways that increase compliance costs without clear value. Expansion should be paired with simplified disclosures and consistent templates. MT (Replies): Malta does not have any further comments. NL (Replies):

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Questions	Replies
	We would like to ask if additional explanations, guidance, or illustrative examples been developed for the application of SFDR to asset classes other than listed equities, and for sustainability topics beyond environmental issues? Additionally guidance could be considered on how to address reporting obligations that span both the current and revised SFDR regimes, particularly for pension funds during the transition period. Lastly, it is important to ensure that new regulatory requirements do not conflict with existing pension fund (IORP) obligations. PL (Replies): PL: One comment: For IBIPs in the form of MOPs, which are common Unit Linked life insurance policies, the product is a life insurance policy that includes a range of investment options. The investment options themselves are not separate products, but when they are linked to investment funds, they directly qualify as financial products. We believe this distinction should be clarified for Regulation purposes to provide clear guidance for financial market participants and national competent authorities. PT (Replies): N/A RO (Replies): No other comments SI (Replies): /

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Questions	Replies
3.1. Positive contribution criteria	
8) Do you agree with setting a minimum threshold of contribution for categorised products?	AT (Replies): Yes, we agree with setting a minimum threshold. BE (Replies): Yes, we believe that a minimum threshold of contribution should be set for all categorised products. BG (Replies): We agree. CZ (Replies): CZ: Yes, we generally agree. DE (Replies): Yes. DK (Replies): DK agrees to set a minimum threshold. However, it should be sufficiently ambitious (please see answer to Q9 where we argue for an 80% threshold). EL (Replies):

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Questions	Replies
	EL: In principle, we would agree but we would welcome further clarification on certain terms e.g. pursuing, clear and measurable objectives etc. ES (Replies): We support the introduction of a minimum contribution threshold for categorised products, as a way to enhance comparability and market integrity. As we already mentioned at the first meeting, given that the current ESMA Guidelines would be superseded by this new framework, the transition between the current ESMA Guidelines regime and the one proposed under this Regulation needs to be as smooth as possible. FI (Replies): Preliminarily yes. Setting up a minimum threshold of contribution supports the simplicity and clarity of the framework. FR (Replies): We agree with setting a minimum threshold of contribution for categorised products. HR (Replies): We agree with setting a minimum threshold of contribution for categorised products. IE (Replies): Yes, it offers significant benefits in clarity, comparability, and investor protection (the products actual commitment is more clearly defined and backed by minimum standards).

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Questions	Replies
	IT (Replies): Agreement is expressed with the proposed approach, as it is consistent with the criterion already established in the ESMA Guidelines on the use of ESG-related terms in fund names. Defining such a criterion directly within the regulation would accordingly allow for its application to all financial products within scope, extending beyond asset management and thereby contributing to greater convergence across different financial sectors. LU (Replies): LU is generally supportive with respect to the proposed recategorization framework, and the minimum threshold introduced to qualify for a product category (first pillar) is a welcome addition. LV (Replies): We agree with setting a minimum threshold of contribution for categorized products, provided thresholds are calibrated carefully, proportionate across asset classes, and aligned with the objectives of the category. A threshold is essential to ensure product comparability, reduce greenwashing risk, and provide a clear and objective basis for distinguishing between the Sustainable, Transition and ESG Basics categories. MT (Replies): Malta supports setting a minimum threshold. NL

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Questions	Replies
	(Replies): We support setting thresholds of contribution for categorized products. PL (Replies): PL: Yes we agree, but we note some feedback from insurance institutions that the 70% threshold may be too high and rigid for insurance portfolios, particularly due to the need for diversification, the stability of long-term liabilities, and the significant share of sovereign debt. PT (Replies): Portugal generally agrees with the proposal to introduce a clear framework of categories to clarify the scope of sustainability-related financial products, based on objective criteria such as clearly defined exclusion criteria and portfolio thresholds. RO (Replies): We support the setting of a minimum threshold. SI (Replies): Yes SK (Replies): We agree with setting a minimum threshold of contribution for categorised products.

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Questions	Replies
9) Do you agree with the 70% value? If not, please suggest any other elements that could be considered as well as the threshold value you would suggest.	AT (Replies): Before discussing a final value, it is important to clarify the threshold. We believe that further guidance is needed regarding the phase-in period to reach the 70% threshold to ensure a coherent and comparable implementation by FMP and on elements on how and when the threshold is reached at product level (e.g. when managing an investment fund). Given the experience in the development of criteria for the Austrian Ecolabel for financial products, guidance is needed for measuring compliance during a reporting period, e.g. how to deal with strong fluctuations in asset valuations. BE (Replies): We are supportive of using a quantitative contribution threshold and if a majority of Member States would wish so, we could be open to increasing the contribution threshold to 80% to enhance compatibility between current ESMA guidelines on sustainability claims and the future legal framework. CZ (Replies): CZ: We could imagine a higher standard, but we generally agree with this threshold provided there is no significant opposition. DE (Replies): We generally agree with the Commission proposal of 70% for the positive contribution threshold. Setting a threshold is important to make sure products have a certain minimum ambition with regard to a sustainability objective.

Questions	Replies
	The 70% value is an established threshold that is also used in other important financial markets for instance within the UK SDR. At the same time, we think that it is an ambitious enough to make sure products really do contribute to sustainability. DK (Replies): No. We find it important to raise the contribution threshold criteria from 70% to 80% for all three categories (article 7-9). The reason for this is to ensure sufficiently ambitious criteria that reduce the risk of misleading investors. We find it meaningful to maintain the 80% contribution threshold, which was determined as an appropriate threshold for defining a product during the development of the ESMA Guidelines on Funds Names. The guidelines already require that 80% of investments are linked to the environmental or social objective of the product. Retail investors should be able to expect that a substantial majority of the product is linked to the objective presented in the product name and marketing material. In our view, this would require at least 80% in order to not mislead. Regarding the argument that the 70% threshold is higher than the 50% threshold for "meaningful investments" in the guidelines, also mentioned in the discussion note, we do not believe these thresholds are comparable, as the 50% threshold only applies for the "sustainable" named products in the guidelines – and not the other two naming categories. From our view, the proposed 70% threshold is more comparable with the current 80% threshold applying for all names in the guidelines. We also note that according to the current SFDR framework, all investments in a product disclosing after article 9 ("fully sustainable products") shall

Questions	Replies
	comply with the definition of sustainable investments as set out in article 2(17) - only with the exception of investments held for hedging- or liquidity purposes. This presupposes a preliminary perception that 100% of the investments in the product can be considered sustainable. In the light of this, suggesting 80% threshold, we are already lowering the standard for the most ambitious category in the new framework. EL (Replies): EL: Although we would not have concerns in principle, further justification is needed as to why this percentage is appropriate and its interaction with ESMA guidance ES (Replies): We understand the rationale and support setting the minimum contribution threshold at this stage at 70%. While we also see the temptation to raise it to 80% in order to mirror the threshold currently set in the ESMA Guidelines, we wonder if such a change could give market participants the misleading impression that the underlying criteria are the same as those currently applied under the ESMA framework, which is not the case, since the conditions attached to the new categories could be stricter. FI (Replies): This is still under evaluation on our side. The value should guide investors towards financial products that suit best their sustainability preferences. The 70 percent value is unambiguous and clear. However, the level of ambition might fall from current market practises on some products. Especially current Article 9 products would experience a drop from current

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Questions	Replies
	level as currently all of their investment (excl. certain buffers etc) has to go towards their sustainability objective. We'd like to note that it might be fruitful to consider whether the 70 percent value for Article 9 products might be increased in order to avoid greenwashing. At the very least, the 70 percent should not be lessened as this might jeopardize the overall objectives of the SFDR framework. FR (Replies): In line with the current ESMA guidelines, we propose setting the threshold at 80%. This target is proportionate and consistent with our aim to structure the market and avoid greenwashing. HR (Replies): We agree with the 70% value. If lower, credibility issue might emerge. At the same time, setting the threshold too high could create barriers to market entry, particularly in smaller markets. IE (Replies): Yes, we consider 70% to be an appropriate value. Providing a fixed quantitative threshold provides a clear, objective standard, making it easier for investors to understand and compare different sustainable products' level of ambition. However, the interaction between the 70% sustainability threshold and the 15% taxonomy- alignment requirement may require some additional clarification. There should be a holistic consideration of the criteria, and not a focus solely on the number. While the 70% is lower than the 80% in the ESMA fund naming guidelines, there are other criteria that are more onerous (for example, there are more exclusions that must be applied to transition

Questions	Replies
	products and sustainable products. In addition, there are details of the types of investments that are permissible under each category and more detailed disclosures must be set out to demonstrate how the product meets the criteria of the selected category) so on balance the lower value is not inappropriate. IT (Replies): Yes, we agree provided general-purpose sovereign bonds are excluded from its calculation. It is worth noticing ESMA Guidelines on ESG funds naming envisage a higher threshold (80%); in such context, we think the proposed value does not represent an issue taking into account the further stringent requirements envisaged by the proposal. LU (Replies): As a general remark, LU fully shares the ambition to enhance the regulatory framework to better prevent green-washing practices. However, as already flagged on multiple occasions, though fully sharing considering the significant changes that are proposed, LU believes that the proposal does not sufficiently ensure a smooth transition between the two regimes. In fact, as a matter of 'good regulation' and considering the principles of legal certainty and legitimate expectation, it would be extremely important to provide for mechanisms that would allow issuers of SFDR-compliant products that are currently available on the market (particularly for products caught under art. 8 of SFDR 1.0) to smoothly transit their strategies under the regime. This would especially be relevant for all those products which would face structural, regulatory and/or contractual barriers in swiftly reorganising to adapt to the new thresholds (e.g. for highly illiquid strategies, passively managed accounts, etc.). In fact, although the exclusion of closed-ended funds which distribution period has elapsed constitutes a useful clarification, this would likely not be enough to

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Questions	Replies
	allow operators to efficiently handle the operational and administrative side-effects that would stem from the switch to the new regime. Therefore, more general solutions shall be explored (such as voluntary grandfathering provisions for currently distributed products that meet certain criteria making swift adaptation to SFDR 2.0 unreasonably burdensome or others). Although we consider the proposed value of 70% as a reasonable figure, we are still assessing the adequacy of that value for each category. We understand that the same threshold shall apply across the three categories for comparability purpose. As already stressed, LU shared the concern relating to existing products under (current) Article 8 who may face significant challenges in meeting the new product categories without substantial adjustments to investment processes and asset selection. The existence of voluntary categorization criteria is acknowledged, yet their ambitious scope will likely limit eligibility to a relatively small number of funds. A considerable share of (current) Article 8 products may therefore not qualify, making it essential to avoid any unintended 'cliff edge' effects. Safeguards are needed to ensure continuity and stability for products currently compliant with (current) Article 8 SFDR. We would therefore need to find a way to make sure to not unfairly disadvantage those products and make sure they can continue to operate transition under the new regime. We are convinced that it would be in the best interest of investors if most of these funds would eventually fall into one of the three categories. The latest Morningstar figures (Q4 2025) show that, in aggregate, the number of EU funds categorized as sustainability-related (new Article 7, 8, and 9) will be significantly lower than the current Article 8 and 9 categories. Funds not

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Questions	Replies
	categorized as sustainability-related (Article 6) will dominate, representing between 52% and 70% of the EU fund market, from 41% today. LV (Replies): We are flexible for setting threshold value. We believe that clear and easily interpreted information, irrespective of the exact threshold of the category, is equally important. However, the 70% level may be challenging, particularly for transition finance and for markets with structural constraints. MT (Replies): Generally, Malta would favour an 80% threshold to be aligned with the European Securities and Markets Authority (ESMA) guidelines on environment, social and governance (ESG) fund names. In addition, Malta believes that a smooth transition from the old to the new regime will be required, with clearer guidance on phase-in periods and treatment of the remaining investment portion. NL (Replies): We believe that the threshold should not be lower than the proposed 70%. A 70% threshold ensures sufficient ambition, threshold creates clarity for investors, ensuring that the product as a whole aligns with its name and category and prevents mismatches between a product's performance and categorization. Moreover, 70% is already lower than the threshold prescribed by the ESMA Guidelines. PL

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Questions	Replies
	(Replies): PL: We agree. PT (Replies): Portugal generally agrees with the 70% value. RO (Replies): We consider the 70% to be an appropriate threshold, but we are flexible so we are open to discuss further proposals. SI (Replies): Yes SK (Replies): In general, we do not oppose the 70% value, however we are open to further discussion.
10) Do you consider that further guidance is needed regarding the phase-in period to reach the 70% threshold? If yes, please explain.	AT (Replies): Yes, further guideance would be necessary, see above. Subsequently, a legislative clarification at Level 1, i.e. in the Regulation itself, would be appropriate. We are critical of a mere mention of the threshold at Level 1 in conjunction with a comprehensive competence to specify the threshold (attainment) in more detail in Article 19b. BE

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Questions	Replies
	(Replies): We are supportive of having within the level 1 further clarification on how FMPs can combine taxonomy alignment with the threshold, particularly when using "safe harbors" to meet contribution criteria. CZ (Replies): CZ: We see no need for further guidance here. DE (Replies): Scrutiny reservation. DK (Replies): DK considers further guidance is needed regarding the phase-in period to reach the contribution threshold as this could easily be mistaken with the transitional provisions. EL (Replies): EL: We would welcome further guidance regarding this issue. FR (Replies): Regarding the phase-in period, we maintain a scrutiny reservation. This issue should be addressed once the criteria are fully defined, allowing us to assess the level of complexity and determine how the phase-in period should be tailored accordingly. HR

Questions	Replies
	(Replies): Yes, as we consider that disclosure on the duration of the phase-in period alone does not provide sufficient assurance, even if it ensures a certain level of transparency. Financial market participants seeking categorisation should be required to demonstrate ambition in reaching their final investment objective, which should be supported by a clearly defined end date for the phase-in period at Level 1 (e.g. a maximum of three years from the date of categorisation). In the absence of such a limit, there is a risk that certain financial market participants may set excessively long phase-in periods, during which they would benefit from the status of managing a categorised product. This could unduly incentivise investor participation despite the product not yet effectively implementing the declared investment strategy. IE (Replies): Yes, some guidance would be beneficial. The precise details, including the permitted length of the phase-in period or specific methodologies for all scenarios. In addition, there are existing rules in product legislation that cover phase in periods. For example, there is a ramp-up period for funds to comply with the portfolio composition detailed in their pre-contractual documents. We should ensure that there is no conflict between the revised SFDR and other existing pieces of legislation that set out provisions on the same matter. IT (Replies): In order to strike a better balance between practical implementation needs and the need to contain greenwashing risks during the interim period (noting, for instance, that the European Securities and Markets Authority (ESMA) Guidelines highlight that some investors may rely heavily on fund names), we

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Questions	Replies
	see value in allowing a phase-in, provided it is tightly framed and consistently applied across product categories. In our view, additional guidance is needed to ensure a practical and harmonised phase-in of the 70% threshold, including: (i) a clear and uniform starting point (e.g. from the date of product categorisation or, for new products, from launch), (ii) a maximum transitional period to reach the 70% threshold, and (iii) interim expectations and disclosure requirements to prevent "label drift" during the phase-in. In particular, the use of category-related naming and marketing claims during the phase-in should be carefully controlled and transparently disclosed. LU (Replies): In general, LU believes that the flexibility recognised for private asset products during initial ramp-up phases is a welcome enhancement and aligned with market practices. This being said, the phase-in period could be clearly framed and not just announced like it is currently proposed in the text. This will enable to avoid weakening and discrediting product categorisation and support the prohibition of national gold-plating (stated in article 14, paragraph 3). LV (Replies): We agree that the phase- in period is unclear, insufficiently defined, or operationally risky without further guidance. For instance, there is no specific grandfathering regime for existing articles 8 and 9 products, which would need to adapt to the new regime. This may mean that some products which currently fall under articles 8 and 9 will not attain a new product category and at the end of any applicable transitional period it would be necessary for financial

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Questions	Replies
	products which currently comply with article 8 and 9 to be compliant with the new SFDR 2.0 regime. MT (Replies): Reference is made to Malta's response to question 9. NL (Replies): Further guidance on the phase-in period would be helpful to ensure a smooth transition and allow market participants sufficient time. However, a question remains whether phase-in should be achieved through adjustment of the level 1 text (leading to additional complexity) or instead through supervisory expectations (which could be slightly more lenient/best-effort basis at first). PL (Replies): PL: Question: Should the 70% threshold be met at all times during the investment period? Otherwise, there is a real risk that it would only be met and disclosed at the end of the year (or period), which could undermine its effectiveness. PT (Replies): Regarding the phase-in period, we would find it preferable if was established in Level 1 with further detail, rather than in a Commission delegated act, as it is established in article 19b. RO (Replies): -

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Questions	Replies
	SI (Replies): Yes, further guidance would be useful. While the introduction of a 70% minimum threshold is welcome, additional clarification is needed on when products should meet this requirement, guidance on the phase-in period, transitional arrangements and the interaction with the thresholds set in the ESMA Guidelines. SK (Replies): It would be suitable to have some guidance or main principles for the phase-in period to guarantee level playing field.
11) Do you consider that further guidance is needed regarding the remaining 30% of investments. If yes, please explain.	AT (Replies): Yes, we believe that also further guidance is needed regarding the remaining 30% for investments. It is important to ensure that no room for interpretation remains, in order to mitigate the risk of greenwashing. CZ (Replies): CZ: We are open to discussing this topic. DE (Replies): Scrutiny reservation. DK (Replies):

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Questions	Replies
	DK believes the text is clear that the remaining 30% of the product must still meet the exclusion criteria and the disclosure requirements regarding principal adverse impacts. Our understanding is that there are no contribution requirements for the remaining part of the product. If this is not the case, then we believe the text should be re-drafted. EL (Replies): EL: We would welcome further guidance regarding this issue. ES (Replies): Additional prescriptive guidance could go against the simplification objective. We would therefore favour keeping this portion of the portfolio subject only to the general safeguards and exclusion criteria, without introducing further detailed rules. FR (Replies): It is essential to make explicit that this portion must also apply the exclusion criteria of the category. This will ensure consistency and integrity across the entire portfolio. No further criteria should be applied. HR (Replies): Yes. Remaining part should not be exposed to investments as defined in Article 7 (1) b) and c), Article 8 (1) b) and Article 9 (1) b) and c). IE (Replies):

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Questions	Replies
	Yes. It is particularly important that the 30% is not inconsistent with the 70% and must avoid contradicting fund sustainability claims. It is also important that requirements for the remaining investments take account of assets used for hedging, efficient portfolio management, liquidity management. Sovereign Debt Treatment: Further guidance is needed on how sovereign debt should be treated within the 30% portion and the relevant disclosures required. IT (Replies): Yes, It is considered necessary to provide further guidance regarding the remaining 30% of investments, in order to ensure legal certainty, consistent implementation and supervisory convergence, and to avoid the risk of divergent interpretations across jurisdictions and inconsistent product outcomes. Such guidance should, for example, clearly specify that exclusion criteria are to be applied to the entire portfolio. In addition, clarification is deemed useful with respect to the criteria and limitations applicable to the 30%, including its interaction with mandatory exclusions and with the obligation to identify and disclose principal adverse impacts. Further clarification is also needed concerning the treatment of asset classes that would typically fall within the 30%, such as cash buffers, hedging instruments and similar holdings. LU (Replies): Further clarification is needed to better understand the intended purpose of the 30% bucket and any limitation that may apply to this portion. While recital 14 states: "*Financial market participants should be allowed to freely allocate the remaining investments based on diversification, hedging or*

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Questions	Replies
	liquidity needs. These remaining investments should not contradict the sustainability related claims of the financial product", we strongly support the introduction of provisions to be integrated in the Level 1 text (and not in a recital only) to allow for a common understanding and harmonized practices among industry participants. Please also refer to our reply to question 19) below. For instance, the text should explicitly define the rules governing the inclusion or exclusion of hedging derivatives within the thresholds. LV (Replies): We suggest that any approach should be based on practices aligned with other elements of the SF framework, i.e. be harmonized, and interacting with each other to avoid potentially overlapping risks. We recommend specifying minimum guardrails (e.g., exclusion baseline + governance expectations), while keeping flexibility to enable risk management, liquidity needs and diversification. Investors gain greater confidence that sustainability claims are credible, comparable, and backed by regulatory conditions. MT (Replies): Reference is made to Malta's response to question 9. Further guidance is needed to ensure that the 30% remaining portion does not contradict the sustainability related claims of the product. NL

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Questions	Replies
	(Replies): Yes, additional clarity is needed on the requirements and restrictions applicable to the remaining 30% of investments. Clear rules minimum criteria are necessary to avoid inconsistent application across the market and avoid certain harmful activities being included in the product categories . PL (Replies): PL: As above. PT (Replies): We would welcome clarification whether Financial Market Participants are free to allocate the remaining 30% of investments, if the exclusions are duly respected. RO (Replies): - SI (Replies): Yes, further guidance would be useful. Clarification is needed on how the remaining 30% of the portolio can be invested, including any specific constraints, expectations. Clear guidance would help to avoid different interpretations and ensure that the remaining investments do not undermine the objectives pursued by the 70% threshold, and remain consistent with existing ESG-related rules. SK (Replies):

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Questions	Replies
	We do not consider necessary to set any other criteria for the remaining share of the investment except for the given exclusions.
12) Do you have any other comments or proposals under this section?	AT (Replies): The question arises as to whether the proposed categories can adequately reflect the complexity of life insurance products and whether insurance products can be classified in a meaningful way. It should to be taken into account that disclosure for traditional life insurance products could be achieved through individual presentation in accordance with the target allocation, based on the specific characteristics of the product. See also answer to Q 27. Moreover, the use of derivative positions in the context of positive contribution criteria and as well as exclusions with in the SFDR is not clear. BG (Replies): The sequencing of the publication and entry into force of all Level 1 et Level 2 texts should provide sufficient time to market participants to adapt to the new rules in line with the conclusions of the Council (ECOFIN) of 12 December 2025. CZ (Replies): CZ: Not at the moment. DK (Replies): -

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Questions	Replies
	EL (Replies): EL: We suggest that broad terms such as "credible" to be further clarified or more narrowly applied, to ensure legal certainty and clarity on the legal text. ES (Replies): We would like to encourage the Commission and the Presidency to further elaborate, at a future working party, on how a "typical" current Article 8 or Article 9 fund would transition into the new categories, and under which conditions this transition would take place. This would help better understand the potential practical challenges that managers could face and how they would need to adapt their portfolios. FI (Replies): In order to avoid misleading information and greenwashing, it is crucial that the criteria for each category is clearly defined. It is still somewhat unclear what certain terms mean in practise. Such terms are, inter alia: - clear and measurable - credible transition plan - proper justification - other investments - pre-set impact theory In order to avoid greenwashing, the categories should also be clearly distinguishable from each other. HR (Replies):

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Questions	Replies
	As we are still evaluating the proposal, so might come with additional comments later on. IE (Replies): None LU (Replies): As pointed out above, considering the major shift and significant change that a categorisation system would introduce, LU is in favour of introducing additional mechanisms ensuring a smooth and fair transition (*e.g.* such as voluntary grandfathering mechanism for products which sudden trigger of the new requirements provided for under SFDR 2.0 would create unreasonable adaptation costs and administrative burden). We note a potential investor comparability issue between legacy and new products with a risk of confusion, a lack of understanding, clarity and security for investors. There is no transitional relief for financial products that will be fully raised at the time the new regime becomes applicable. In addition, the minimum contribution thresholds shall be used to feed the determination of MIFID client's sustainability preferences. We need to ensure that the minimum criteria (if appear to be too stringent) shall not lead to such situations where only a limited number of products can meet clients' preferences. We also stress that the new categories and their implementation should be based on actual testing to ensure the proposed framework is aligned with market realities.

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Questions	Replies
	LV (Replies): N/A MT (Replies): Malta does not have any further comments. NL (Replies): No other comments. PL (Replies): PL: One comment: SFDR should come into effect only after the RTS are adopted, as they define categories and reporting requirements. Early application would force multiple adjustments, creating unnecessary costs, including for IT. PT (Replies): N/A. RO (Replies): No other comments SI (Replies): /

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Questions	Replies
3.1.2. Open list of investment approaches and metrics eligible for contribution	
13) Do you agree with the approach of having an open list rather than a closed list of investment approaches and metrics?	AT (Replies): In general, we support the approach of having an open list of investment approaches and metrics. However, we would suggest including safeguards to prevent misuse of the catch-all criterion "other investments provided proper justification is included". In particular, further clarification of the catch-all provision in relation to the sustainable category (Article 9(2) lit g) would be helpful. Alternatively, it could be considered to limit this criterion to a defined proportion of the fund's overall investments, while th remaining investments of the financial product fall under lit a-f. BE (Replies): In the current state of the proposal, we are in favour of having a closed list of investment approaches to improve comparability, to avoid vagueness and fragmentation and to close the door to greenwashing attempt. However, we could be open to an open list if the comparable strategies included under point h) of articles 7,8 and 9 are framed carefully and defined with precision. BG (Replies): We agree to have an open list as the regulation should provide flexibility. CZ (Replies): CZ: We are principally not against such an approach. We understand there is a need for flexibility given the variety of products available on the market. On

Questions	Replies
	the other hand, such an approach increases the risk of circumventing the spirit of the Regulation. We believe further clarification can be disscussed when it comes to the alternative approach. The possibility of the market being allowed to develop its own set of rules independently could also be discussed. DE (Replies): We think maintaining an open list of indicators is a necessary condition for a successful SFDR 2.0 as it will allow for innovative approaches to enter the market and thus increase flexibility for market participants. At the same time the voluntary list of indicators developed via delegated act will serve as a benchmark for individually developed approaches and KPI, so that both supervisors as well as product developers will have a good sense of what can be understood as a valid individual approach. For individually developed KPIs, it could be explored whether qualitative specifications should be defined to ensure a level playing field with regard to ambition. DK (Replies): DK agrees with the approach to have an open list rather than a closed list of investment approaches since this would include the possibility for financial market participants to invest in other types of activities (as suggested in, for instance, article 9(2) letter (g)) EL (Replies):

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Questions	Replies
	EL: We agree in principle with the approach of having an open list, however it should be well-structured in order to ensure comparability and avoid greenwashing and compliance issues. ES (Replies): We agree with the proposed approach of having an open list, as it provides flexibility and allows the framework to adapt to future market developments and evolving standards and as long as the consistency between the investment strategy, the marketing and the disclosures made prevails and is proven. At the same time, given the risks of greenwashing and inconsistent supervisory practices, we consider that it is key to ensure that the relevant concepts are sufficiently clear and consistently applicable. FI (Replies): Still under evaluation. Preliminarily the open list approach might be more useful and futureproofed. The catch-all element of the final item in the open ended list (*other investments […] that contribute to an environmental objective or a social objective, provided that that a proper justification is included […]*) might leave quite a lot of space for creative interpretation. Should there be some kind of definition what kind of justification would be appropriate? FR (Replies): The open list is defined through an "alternative" approach within each category laid down in Article 7(2)(h), 8(2)(e) and 9(2)(g), leaving it to each FMP to develop its own justification, and to each national supervisor to assess whether such a justification is appropriate.

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Questions	Replies
	This flexibility raises significant concerns on clarity and transparency in evaluating alternative approaches and the risk of an important heterogeneity across the market. It is necessary to acknowledge that FMPs could categorise their products by referring only to this "alternative" approach and without consideration for other eligibility criteria. We are reviewing our position on this open approach, provided that any potential support is conditional upon harmonised and transparent supervision at the European level. Robust measures, which are yet to be defined, must be implemented to ensure consistent oversight by all national supervisors and prevent regulatory fragmentation. HR (Replies): We could agree with the concept but it needs to be further additionally elaborated/replaced by concrete terms. HU (Replies): We believe that the approach of open list of investment should be more robust and more defined to avoid the compliance and supervisory issues. IE (Replies): We are supportive of an open list, as it provides flexibility which will ensure the SFDR is somewhat future proofed against new investment approaches and products, and it can more easily adapt to evolving sustainable finance markets. IT (Replies):

Questions	Replies
	The residual strategy referred to as "other investment" appears excessively broad and potentially subject to divergent interpretations and implementations, which may in turn lead to varying levels of investor protection. In this regard, and in order to mitigate the risk of greenwashing, it would be advisable to define more objective and stringent requirements underpinning the category of "other investments". LU (Replies): Our preference goes for an open range of investment strategies rather than an exhaustive closed list of investments for flexibility purpose. Further assessment needs to be done for the ESG basics category (article 8). LV (Replies): We agree with the approach of having an open list to ensure the open list comparability and avoid greenwashing and the same time the open list should be supported by principles-based guardrails, minimum transparency criteria, and category specific expectations. MT (Replies): Malta supports an open list, allowing for flexibility and adaptability to evolving ESG criteria. In addition, Malta stresses the need for clearer definitions to prevent greenwashing, supervisory fragmentation, ultimately aiming for supervisory convergence. NL (Replies):

Questions	Replies
	We recognize the merit of having an open list of investment approaches and metrics. However, we are concerned that an open list could also lead to an all encompassing 'mixed' category. as long as additional approaches and metrics level with the explicated criteria. PL (Replies): PL: Preliminarily, we support the idea of having an open list. PT (Replies): Portugal agrees with the approach of having an open list rather than a closed list of investment approaches and metrics, as it provides a more flexible and future-proof framework. However, it should be underline that article 7(2)(h), article 8(2)(e) and article 9(2)(g) appears to excessively broad, and does not bring clarity to the FMP on whether a certain investment falls within the scope of any of the categories. RO (Replies): Our option is for an open list rather than a restrictive one. We should allow investments with the same level of ambition in respect of sustainability SI (Replies): We agree with the open list, however there are concerns about potential risks of greenwashing, lack of comparability and supervisory difficulties, therefore additional guidance is needed. SK (Replies):

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Questions	Replies
	We are not clear about the approach yet as both options have pros and cons to be analysed.
14) Do you agree with the elements of the list? Which elements do you think should be further defined and on which ones should the Commission provide more details?	AT (Replies): In general, yes, but several legal terms lack sufficient clarity and should be defined more precisely to avoid divergent interpretations and the risk of greenwashing. For "comparable assets" in Art. 9 (2) lit e, further clarifications and examples would be helpful. Regarding the transition category, we suggest a clarification (and possible reference to existing legal definitions) of "credible transition plan", "credible science-based targets" and "credible transition target" (Art. 8 (2) lit c, d and f). BE (Replies): In general, all criteria should be clear and well defined to avoid inconsistent approaches and open the door to greenwashing practices. In article 7, 8 and 9, we see merit to have the following concepts defined within the regulation: "credible transition plan", "credible science-based", "credible sustainability-related engagement strategy", "credible transition target", "defined targets", "specific appropriate sustainability indicator", "proven positive track record" or "proper justification". CZ (Replies): CZ: We agree in principle, some may be regarded as too broad and will require further evaluation. DE

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Questions	Replies
	(Replies): We generally agree with the list of approaches but have some questions: With regard to the transition category: The commission could provide further guidance with regard to what FMPs responsibilities are to control what "credible" is and how this could be achieved by FMPs? With regard to the ESG-Basics Category: As of now, it is difficult to assess how this category will play out. Has the Commission made an assessment on how many sustainable products under the current "Article 8-regime" currently available on the market would be covered? DK (Replies): DK finds it important to discuss this further before taking a position. There is especially a need to elaborate and clarify the list of approaches applicable for products qualifying for the ESG Basic Category, i.e. article 8(2), letter a-e. We are concerned that this list is too broad and open and will potentially risk continuing the challenges we have experienced with products disclosing according to article 8 in the current framework. For example, is it up to the financial market participant to freely define an "average investment universe" and determine when an investment "will favour undertakings that have a proven positive track record"? Also, assuming that half of the investment universe has an ESG rating (or other sustainability indicator) above the average rating of the investment universe, simply investing broadly in the investment universe would mean that

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Questions	Replies
	a product could have 50% of its investments integrating sustainability factors according to article 8(1)(a). It could therefore potentially become very easy for products to reach the 70% threshold with only minimal efforts, especially if it is also possible to combine the different approaches listed in article 8(2). If the elements of the list continue to be this vaguely defined, and if the different approaches can also be combined in several ways, we are concerned that the interpretation will become too fragmented across Member States and that the ESG Basic Category will become a 'catch-all' category containing products which only have minimal ESG focus. EL (Replies): El: We are still assessing. ES (Replies): At this stage we would like to flag a few issues that may require further clarification at Level 1 through sufficiently well-framed Level 2 mandates: • The reference to "portfolios managed in reference to" a benchmark would benefit from clarification, including how this interacts with existing benchmark regimes and whether the benchmark must meet specific sustainability criteria. • The notion of a "credible transition plan" is appropriate and we support its inclusion. However, we consider that Level 1 should provide clearer parameters to steer the development of Level 2 specifications, in order to ensure consistency and avoid divergent interpretations. • The reference to "credible science-basex1d targets" may require further discussion. In our view, credibility relates less to the target itself and more

Questions	Replies
	to the governance, methodology and implementation pathway supporting the target (including interim milestones and monitoring). • o The residual provisions—Article 7(2)(h), Article 8(2)(e) and Article 9(2)(g)—(so the last letter of the second paragraph of Articles 7, 8 and 9) which refer to "other investments […] that contribute to the transition/integrate sustainability factors/contribute to an environmental or social objective with further proper justification would definitely benefit from further guidance to avoid greenwashing risks. FR (Replies): <u>Sustainability and Transition category</u> We support the deletion of the phrase "[…] or managed in reference to […]" in Articles 7(2)a and 9(2)a. This wording introduces unnecessary ambiguity and risks leading to divergent practices and overly permissive strategies. Industry feedback also highlights a lack of clarity on this concept. Passive funds are already effectively included using the terms "replicate/replicating". In order to accommodate active funds, we propose replacing the deleted phrase with: "[…] replicating or managed in compliance with the requirements laid down in Section 2 of Delegated Regulation (EU) 2020/1818 (Article 7) / Section 3 of Delegated Regulation (EU) 2020/1818 (Article 9)." We have doubts regarding the cross-use of "investments pursuant to Articles 9(2)/7(2) in combination" (specifically 7(2)f and 9(2)e). To what extent do these articles articulate with Article 9a(1), and how do they allow for the combination of financial products? For the sake of clarity, the wording "in combination" might only be used in the introductory sentence of Articles 7(2), 8(2) and 9(2), and not in the criteria themselves.

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Questions	Replies
	Transition category The use of "taxonomy-eligible economic activities becoming taxonomy-aligned" (article 7(2)b(ii)) raises practical concerns. Given the number of alternative approaches and the diversification of portfolios, we support its removal to avoid complexity and ensure feasibility. We propose combining the reference to a "credible, science-based target" (Article 7(2)d) with the notion of a "credible transition plan" (Article 7(2)c). We emphasize the need for a thorough analysis of what constitutes a "credible transition plan" (article 7(2)c): - A climate transition plan will be considered "credible" if its ex ante assessment proves that it is sufficiently ambitious to achieve the GHG emission reduction targets set by the company. - While detailed requirements should be specified at Level 2, we advocate for stricter guidelines at Level 1, based on market best practices for assessing transition plans. - Requirements should define a baseline for credibility that goes beyond target-setting, incorporating data from ESRS (for larger undertakings) and VSME (for smaller ones). - Given the lack of standardized methods and the importance of this topic, it is critical to gather industry feedback on current practices before finalizing the definition. The set of alternative criteria in the Transition category is quite broad. The proposal allows to assess the transition at both the asset level, through credible transition plans, and at the portfolio level, which is a less stringent criteria. We would support this approach only if the transformational component of this category is reinforced.

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Questions	Replies
	Engagement strategy as referred to in Article 7(2)(e) seems insufficient to qualify an investment as eligible to the transition category. Yet, we need to acknowledge that stewardship is a core element of this category and is already implemented by most large FMPs. Therefore, instead of an eligibility criteria under Article 7(2), stewardship could relate to an additional disclosure requirement on engagement strategy. To address proportionality, a size threshold or tailored requirements could be considered for smaller FMPs. "Investments with a Credible Transition Target" (Article 9(2)g) is vague and may introduce excessive flexibility, making it more suitable for the ESG Basics category (particularly for social indicators). For funds with a climate change mitigation objective, the Climate Transition Benchmark already provides a usable framework under Article 2(a). We support the removal of this criterion. The reference to the Paris Agreement (article 9(2) is welcome for funds with a climate change mitigation objective. However, the current wording lacks clarity on what constitutes "compatibility" or "alignment" with the Agreement. To prevent ambiguity and ensure consistency, the text should be refined. Additional details from the Commission would be appreciated. The consistency with the Paris Agreement of the company's GHG emission reduction targets will have to be based on scientific data and methodologies. <u>ESG Basics category</u> Clarification regarding the "investment universe" (Articles 9(2)a and 9(2)b) is needed, either at Level 1 or Level 2, to ensure relevance and consistency. Additional details from the Commission would be appreciated.

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Questions	Replies
	We have concerns about the implied level of flexibility in "economic activities with a proven positive track record in terms of processes, performance, or outcomes related to sustainability factors" (article 9(2)c). To strengthen this category, preliminary feedback from consultations suggests the following alternative measures: - Making criteria (a) and (b) cumulative, - Setting a threshold for outperforming on ESG ratings (a) or indicators (b); - Requiring outperformance on at least two indicators related to different topics to ensure a global ESG approach while raising the ambition of the category. These are working suggestions shared with other Member States for discussion and do not reflect our final position. <u>Sustainable Category</u> The term "comparable assets" (article 9(2)e) should be more precise and clarify that it refers to assets based on equivalent regulatory frameworks in third countries. HR (Replies): We consider that it is necessary to further clarify, already at the outset, the understanding and scope of the proposed terms. In this context, we have highlighted in red the key terms that, in our view, require further clarification and greater precision. Article 7 (1) a): -clear and measurable transition objective

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Questions	Replies
	- 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 Article 7 (2) c): - investments in undertakings or economic activities with credible transition plan Article 7 (2) d): - investments in undertakings or economic activities with credible science-based targets Article 7 (2) e): - investments accompanied with a credible sustainability-related engagement strategy Article 7 (2) g): - investments with a credible transition target set Article 7 (2) 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 IE (Replies): Are there specific rules for when a fund temporarily falls below the 70% threshold? IT (Replies): It is considered that certain elements of the list would benefit from further clarification by the Commission. In particular, within the transition category, it

Questions	Replies
	may be appropriate to define specific criteria addressing social aspects, since existing transition plans and science- based targets predominantly focus on environmental dimensions rather than social factors. In addition, concerns remain regarding items such as Article 7.2(h) ("other investments"), Article 8.2(e) ("other investments"), and Article 9.2(e) ("comparable assets"), as these provisions appear unduly indeterminate and therefore susceptible to discretionary or excessively broad interpretations. Further guidance would be necessary to delineate these categories more precisely and ensure consistent application across financial products. LU (Replies): With respect to article 7 2. (h) and article 9 2. (g), we are assessing the need to balance flexibility that this 'catch-all' provision offers with the need for legal clarity. Further clarification is also needed on the meaning of "proper justification" of the chosen approach. LV (Replies): Considering, that new proposal offers includes much more prescriptive requirements around permitted and excluded investments in each product category, there is room for interpretation in the evaluation of criteria, for instance, article 8 and 9 products need to meet "…threshold linked to the proportion of investments integrating the sustainability factors…". Current Article 2(24) says – 'sustainability factors' mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. More clarity for what constitutes credible "transition" contributions. Without strengthened definitions, the framework risks inconsistent interpretation, increased compliance burden, and reduced clarity for investors. MT

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Questions	Replies
	(Replies): Malta is generally supportive of the elements in the list, but Malta suggests that the exclusions are aligned fully with the Climate Benchmarks Regulation. NL (Replies): The Netherlands considers it important that the integrity of art. 7 is safeguarded. This includes the existing references to credible transition plans, science-based targets and Paris-alignment. We agree with those MS that have cautioned against an all-encompassing art. 8. Although art. 8 should be broader than 7 and 9 it may currently be too broad. In addition, we are in favor of consumer testing as basis for naming. Having staid that, we believe the term 'ESG basics' properly refers to what art. 8 stands for and that terms as 'ESG collection' add confusion about the ambition level of art. 8 and should thus be avoided. PT (Replies): We believe some concepts would benefit from further clarification, for example what is meant by "credible", "science-based targets" or "comparable assets". Clearer definitions would make the framework more robust and help avoid the compliance and the supervisory issues we have seen under the current SFDR. RO (Replies): In general, we agree with the elements on the list, still further clarifications on some aspects are necessary. SI (Replies):

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Questions	Replies
	We agree with the elements of the list. Additional guidance would be welcome, especially regarding the matrics eligible for contribution.
15) Do you have any other comments or proposals under this section?	BE (Replies): We would like to see clarified if a financial product that invests solely in another categorized product (1:1) falls under this list (for instance, in case of master-feeder structure). CZ (Replies): CZ: Not at the moment. DE (Replies): A predictable update cycle would support legal certainty and reduce administrative burden. DK (Replies): DK thinks there is a need for further discussions regarding the metrics for the purpose of measuring contribution. DK shares the view presented by several other Member States to differentiate between the metrics applying for taxonomy alignment for the sustainable category and the transition category. We believe that CapEx is a more suitable metric for defining contribution to transitioning activities, while revenue would be a more suitable metric for the sustainable contribution from an investor perspective.

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Questions	Replies
	However, we are at the same time concerned that allowing CapEx as a metric for fulfilling the 15% threshold (see also Q17) is “too loose”, allowing too many investments into the Taxonomy Safe harbour. ES (Replies): These paragraph 2 provisions are a central element of the proposed categorisation framework, and we would support that we dedicate a session to examine this part in detail. FR (Replies): A significant part of our comments stems from the lack of clarity surrounding key terms, such as "appropriate" or "proven positive track record". These ambiguities risk undermining the framework’s effectiveness and consistency. In our view, limiting certain criteria to environmental claims ("credible transition target") would significantly improve clarity, given that environmental metrics are currently more developed than social claims. "Social transition" strategies could be more appropriately addressed within the ESG Basics category. The development of investment approaches tailored to social transition could then be considered in future reviews of SFDR, as the field matures. We must strike a balance between the need for clarity and the objective of maintaining a lean Level 1 regulation. On a case-by-case basis for each criterion, the Commission already provides sufficient detail in delegated acts on how it will define the "conditions for investments to qualify as contributing to the category objective" (Article 19b), we should avoid making Level 1 too granular.

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Questions	Replies
	HR (Replies): In this context, and applicable across all categories, defining relevant lists of indicators and/or referring to existing indicators is of critical importance. Wherever possible, greater emphasis should be placed on quantitative indicators rather than descriptive or narrative ones, as the latter often result in uneven levels of granularity and relevance and hinder comparability, as well as investor understanding. While recognising that investment strategies may differ, we suggest considering the establishment of a minimum set of indicators that all financial market participants would be required to disclose, in addition to strategy-specific indicators selected by the provider. The current proposal leaves too many degrees of freedom for providers in selecting indicators, which should be limited. IE (Replies): None LU (Replies): Other concepts and terms used require precise definition, as for “Appropriate sustainability indicators”. Since indicators should build on existing PAI and the ESRS framework, we need to ensure an adequate coverage of these PAIs and a coherent harmonisation of the different frameworks. LV (Replies): N/A MT (Replies):

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Questions	Replies
	Malta does not have any further comments. NL (Replies): No other comments. PT (Replies): We are concerned about the ESG basics category and a potential large-scale migration of products currently classified under Article 8 into it. Article 8 today covers a very heterogeneous set of products. An automatic or widespread transposition would, therefore, risk creating an ESG Basics category that is too broad, internally inconsistent, and, ultimately, weak in terms of regulatory meaning. That would undermine its signalling function and significantly reduce comparability for investors. There is also a clear greenwashing risk. Many of the current Article 8 products do not yet have the governance structures, ESG due diligence, portfolio construction rules, or ongoing monitoring processes that would be needed to support robust and auditable compliance with the new category. If migration is driven mainly by market continuity or competitive pressure, we risk seeing sustainability claims that cannot be substantiated in reporting or supervisory review. An excessively broad ESG Basics category could, therefore, distort suitability outcomes and increase the risk of misselling, where investor expectations are not matched by the product's actual ESG integration. While the revised Article 8 requirements are more robust than today's framework, we do not believe they are sufficient, on their own, to mitigate these risks. Quantitative thresholds, exclusions, and a formal ESG strategy still allow very different products to qualify, potentially diluting the category, reducing comparability, and increasing greenwashing risks if implementation is rushed or driven primarily by commercial considerations.

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Questions	Replies
	RO (Replies): No other comments SI (Replies): /
3.1.3. Possible safe harbours	
16) Do you agree with retaining the safe harbours to encourage the use of the EU Taxonomy and the EU Climate Benchmarks and increase the coherence and usability of the framework?	AT (Replies): Yes, we agree with the proposed safe harbours concept, since it also encourages coherence and usability of the SF framework. BE (Replies): We agree with the use of safe harbours but do not think that they should allow financial products not to apply other strategies for a large share of their portfolio to fulfil the contribution criteria. CZ (Replies): CZ: Yes, we agree with the inclusion of safe harbours. DE (Replies): We welcome the goal of the safe harbour provisions to increase the coherence and interoperability of the Sustainable Finance Framework as a whole. CTB/PAB have already been established in the market and can make market entry easier for product developers. Safe harbours can reduce interpretative

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Questions	Replies
	uncertainty and facilitate market entry for product developers, provided that they rely on existing disclosures and do not create additional verification layers. DK (Replies): DK agrees with the concept of both safe harbours since these frameworks are already well-implemented in the market. EL (Replies): EL: We would welcome more clarifications on this, in order to understand the interplay with the 70% percentage ES (Replies): We share the rationale behind the proposed safe harbours, as a way to encourage the use of the EU Taxonomy and the EU Climate Benchmarks, to mobilise financing towards Taxonomy-aligned investments and, more broadly, to strengthen the connection between these EU standards and the SFDR framework. We therefore support the concept of safe harbours. FR (Replies): We agree with Taxonomy as a safe harbour, it is a valuable and effective way to promote the adoption of the taxonomy and the financing of sustainable and transitional activities. On the use of EU climate benchmark, we do not support this proposal. This safe harbour raises concerns about fairness and transparency, particularly when compared to products categorized using positive contribution criteria,

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Questions	Replies
	which apply exclusions and disclose their PAI. The use of PAB/CTB indices is already integrated into the calculation of positive contribution criteria and serves as a means to meet the required thresholds. In our understanding, this existing flexibility already allows a fund to be categorized using only EU climate benchmarks (70% contribution threshold + 30% remaining share of the portfolio.) Given this, adding a safe harbour for EU Climate Benchmarks risks creating redundancy and could undermine the framework's coherence and fairness. HR (Replies): We can agree with retaining the safe harbours to encourage the use of the EU Taxonomy and the EU Climate Benchmarks and to support the coherence of the framework under certain conditions, please see the answer to Q17. IE (Replies): In principle we support using the EU Taxonomy and EU Climate Benchmarks as safe harbours. IT (Replies): General agreement is expressed with the proposal. In this context, it is considered appropriate to assess whether further specific requirements under Articles 7 to 9 should be introduced in order to ensure a clearer differentiation between transition products and sustainable products, also taking into account the elements already outlined in Recital 19. Moreover, agreement is expressed on the need to retain the safe harbours, as these mechanisms can effectively

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Questions	Replies
	support and encourage the use of the EU Taxonomy and the EU Climate Benchmarks. LU (Replies): We understand the rationale to encourage the use of these two European frameworks and LU generally support the reference to the EU taxonomy and the EU Climate Benchmark regulations as safe harbours. LV (Replies): Taking to account that the current design requires clarification to avoid ambiguity, loopholes, and greenwashing risk. We support retaining safe harbours which specifies their scope is needed and ensures full alignment with the revised SFDR categories and the broader EU sustainable finance framework. MT (Replies): Malta supports the proposed safe harbour which would encourage taxonomy alignment which is currently low. NL (Replies): The purpose of the transition category should be to cover products that are investing in truly transitioning activities in the real economy. While we agree that the EU climate benchmarks can serve as a useful source for exclusions and can support coherence and usability of the framework, we believe that relying on these benchmarks as a safe harbour for the transition category is insufficient. The EU Climate Transition Benchmark only imposes requirements at the portfolio level, not at the investee company level. As a

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Questions	Replies
	result, a product could include companies that are not undertaking any transition, as long as the overall portfolio meets the required year-on-year reduction. This could be achieved through portfolio tilting, rather than genuine real-economy transition. Thus, the current is approach does not ensure alignment of with investor expectations or with the intended objective of the transition category. Would the EU CTB (and PAB) be used as safe harbour, we would therefore advocate explore their application on an activity level (within the product) as to avoid cosmetic transition changes. PL (Replies): PL: Yes, we agree and support measures that enhance the usability and consistency of the ESG framework, including incentives to adopt EU standards. PT (Replies): Portugal agrees with the use safe harbours to encourage the use of the EU Taxonomy and the EU Climate Benchmarks and increase the coherence and usability of the framework. RO (Replies): YES SI (Replies): Yes SK (Replies): In general, we agree with retaining the safe harbours.

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Questions	Replies
17) Do you have views on the threshold proposed under the Taxonomy safe harbour? Do you agree that 15% is an appropriate level to encourage the use of the EU Taxonomy given the current market alignment?	AT (Replies): As a starting point this the threshold seems appropriate, as this would help to incentive the use of the Taxonomy Regulation. BE (Replies): The threshold of Taxonomy alignment should be set in accordance with current market maturity, based on impact assessment and should be adjusted in the future based on the evolution of the Where the Taxonomy safe harbour applies, we believe that exclusions should not be deemed satisfied solely through the DNSH principle under the Taxonomy criteria. Instead, SFDR exclusion requirements should apply at all times across the entire portfolio of the financial product. CZ (Replies): CZ: We are not against setting the threshold higher, as we believe 15% can be under certain circumstances seen as too low. Additionally, we would welcome further reasoning behind choosing this particular threshold. DE (Replies): With regard to the 15 % taxonomy threshold, we wonder if the Commission has assessed possible options to safeguard against deliberate over-weighing of taxonomy aligned assets? With regard to the taxonomy safe-harbour, we think it could be worthwhile to discuss a distinction between CapEx- and Turnover-calculation methods in the

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Questions	Replies
	respective categories. As CapEx is forward looking (incl. CapEx plans) it is suited for the transition category while turnover is a point-in-time KPI that allows to scrutinize for the current sustainability of a company. This approach is already partly foreseen in the current draft under Article 7/9 respectively. Eligible investments Article 7 2b) include: (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; While in Article 9 only "investments in taxonomy-aligned economic activities as defined in Article 1, point (2), of Delegated Regulation (EU) 2021/2178;" are eligible. DK (Replies): DK is not confident that the 15% threshold is sufficiently ambitious and would like further discussions before taking a final position. EL (Replies): EL: We would welcome further justifications as to why this percentage is an appropriate level FR

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Questions	Replies
	(Replies): We agree with the threshold proposed for the Sustainable category and its level (15 %, compared to 11,2% of taxonomy alignment on total turnover of companies with non-zero taxonomy eligible turnovers) We recommend using Taxonomy-aligned CapEx as the metric for the Transition category. While a higher threshold could be explored, this would require further analysis, particularly to evaluate the disparities between Taxonomy-aligned CapEx and Taxonomy-aligned turnover in the market. The threshold should be reviewed on a regular basis, starting 36 months after application. HR (Replies): We consider that the threshold under the Taxonomy safe harbour should have also a clear pathway for progressive increases over time in order to support and strengthen ambition. While this initial threshold may be appropriate in light of current market alignment, it should not become a static benchmark. Without a mechanism to encourage or require gradual increases in Taxonomy alignment, there is a risk that the safe harbour could lock in low levels of ambition and limit the intended steering effect of the EU Taxonomy framework. IE (Replies): As a positive it should encourage EU Taxonomy use and offers some certainty. We acknowledge current reported corporate alignment with the EU Taxonomy is low making any higher mandatory threshold challenging for most funds. We would like some further clarity in relation to this question:

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Questions	Replies
	- What is the impact of Omnibus simplification on Taxonomy reporting. Will there be a reduction in firms reporting taxonomy numbers? - Does this then limit the eligible investments in order to meet the 15% criteria to only large firms. Are there other ways to claim Taxonomy alignment? - We note that, at the moment, it is hard for investments to claim taxonomy alignment. Is there any information on current investment volumes that are taxonomy aligned? IT (Replies): Although the 15% safe-harbour threshold provides a useful basis, it appears relatively limited in light of the level of ambition associated with the EU sustainability framework. In this context, it is considered important to differentiate the metrics to be applied under the sustainable category (based on revenues) and the transition category (based on capital expenditure) For funds classified under Article 7 (transition), there appears to be no clear link between the objectives of this category and the requirement to meet a minimum threshold of 15% Taxonomy-aligned investments. LU (Replies): While we consider this element (not to require a mandatory % of taxonomy-alignment) as positive, LU does not have a final position yet on the 15% value. LV (Replies): Despite the current low and uneven level of equalization of market taxonomy and significant data gaps, the targeted level could serve as a useful signal and

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Questions	Replies
	incentive for increased use of taxonomy, as well as the need for forward testing against the revised Taxonomy criteria, and clarification of methodology, calculation rules, and interactions with exclusions. We can support 15% as a pragmatic starting point, reflecting current market alignment and data availability, with a built-in review mechanism to adjust as Taxonomy alignment improves. We see the proposed threshold under the Taxonomy safe harbour should be higher. MT (Replies): Please vide Malta's reply to question 16. NL (Replies): We have concerns about the proposed 15% threshold under the Taxonomy safe harbour. We find this threshold arbitrary and not sufficiently adaptable to market developments over time. It may also open the door to greenwashing, since a significant portion of the portfolio could fall outside the scope of the Taxonomy and not be genuinely sustainable safeguards as to that 85% remain unclear We would also like to ask the Commission for clarification on why a higher the threshold was not chosen. Additionally, there is a lack of clarity regarding the requirements and standards applied to the remaining 85% of the portfolio. PL (Replies): PL: It would be worth considering further clarification of the thresholds and ensuring consistency with other requirements. For example, it is unclear whether the 15% threshold is calculated within the 70%, or whether it refers to 15% of the total 100% of investments.

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Questions	Replies
	PT (Replies): While we understand the intention to encourage use of the EU Taxonomy, we are concerned that this level could create a potential loophole. In particular, a product reaching 15% alignment could potentially avoid meeting the higher 70% threshold required for the sustainable or transition categories, which may undermine the overall coherence and ambition of the framework. RO (Replies): We agree with 15%, but we are flexible to consider other proportions SI (Replies): We see 15% threshold as acceptable (to encourage the use of the EU Taxonomy). SK (Replies): We are open to discuss even higher appropriate level.
18) Do you agree on applying safe harbours uniformly across relevant categories?	AT (Replies): We are still reviewing this, as it also depends on the details regarding the remaining 85% share. BE (Replies):

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Questions	Replies
	In our opinion, exploring the possibility of giving greater weight to the CapEx Taxonomy KPI appears consistent with the objective of the products categorised under article 7 and should be further investigated. CZ (Replies): CZ: Including the threshold in only the sustainable category would be the safer approach, however, we are not against the inclusion in both categories. DE (Replies): In principle, yes, where the underlying rationale is the same. Applying safe harbours consistently across categories can reduce complexity and supervisory fragmentation. Any category-specific deviations should be limited and clearly justified. DK (Replies): DK agrees to apply the safe harbours similarly (but not entirely uniformly), across categories. There are some natural differences between the categories that needs to be considered. However, for the "benchmark safe harbour" we believe this differentiation has already been considered, since both CTB and PAB criterion are acceptable for products in the transition category, while products in the sustainable category have to meet the PAB criteria.

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Questions	Replies
	However, for the "Taxonomy safe harbour" we repeat our previous point about differentiating the metrics, i.e. respectively CapEx as a metric for transition products and revenue as a metric for the sustainable category. EL (Replies): EL: We would welcome more clarifications on this, in order to understand the interplay with the 70% percentage ES (Replies): We do not see a strong case for applying the Taxonomy safe harbour uniformly across the relevant categories: given that there is an intrinsic hierarchy in the proposed categories, if a portfolio reaches the 15% of Taxonomy-aligned economic activities, there would be little incentive to be categorized as transition (Art. 7) instead of sustainable (Art. 9). FI (Replies): Uniform application of safe harbours may potentially make the framework more easily comprehensible. FR (Replies): See our previous comment. HR (Replies): In relation to "transition" category it should be strengthened by obligatory additional layer of xy % of transition related investments.

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Questions	Replies
	IT (Replies): Safe harbours should be granted for products in categories ex articles 7 and 9 LV (Replies): Yes, in principle, we agree with applying safe harbours uniformly across relevant categories. However, "transition" products may require greater flexibility than fully "sustainable" products, given their role in supporting the decarbonisation and transformation of high-emitting sectors. While we support a clear and transparent sustainable finance framework, applying such mechanisms in a fully uniform manner across all product categories could create additional administrative burden. Therefore, proportionality and flexibility should be considered, especially for transition-focused products. MT (Replies): Malta is of the view that the applicability of safe harbours should be uniformly applied for consistency's sake. NL (Replies): We believe the categories significantly differ from each other. Considering that we do not believe that uniform safe harbors should be applied. PT (Replies): Portugal does not generally oppose applying safe harbours uniformly across relevant categories as it ensures internal consistency of the regulatory

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Questions	Replies
	framework and interpretative predictability. The existence of safe harbours differentiated by category, without clear material justification, could introduce additional complexity and encourage regulatory arbitrage, to the detriment of clarity for investors and the effectiveness of supervision. RO (Replies): YES SI (Replies): Yes. SK (Replies): Safe harbours could be applicable to transition and sustainable categories.
19) Do you consider that further guidance is needed regarding the remaining 85% of investments? If yes, please explain.	AT (Replies): We are of the opinion that more guidance on the remaining 85% share of investments is needed. Regarding the taxonomy safe harbour, we believe that full flexibility for the remaining 85% of investments could create to much room for discretion. BE (Replies): For the remaining share of the portfolio in case of application of the Taxonomy safe harbour, we question whether Taxonomy alignment should truly be considered self sufficient to meet the contribution criterion. It may be more coherent to treat Taxonomy-aligned investments as contributing toward the 70% threshold, rather than automatically fulfilling all of it. For example, if

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Questions	Replies
	a product has 20% Taxonomy alignment, it will still need an additional 50% of qualifying investments to meet the 70% threshold. This would ensure a more consistent and robust approach to demonstrating substantial contribution. CZ (Replies): CZ: We are open to the discussions. DE (Replies): Scrutiny reservation. DK (Replies): DK refers to the point made in regard to the remaining 30% under Q11 as we believe that the answer should be the same there as for the remaining 85% if applying the Taxonomy safe harbour threshold. EL (Replies): EL: We would welcome further clarifications regarding this issue, e.g what kind of investment could be included in the remaining 85%. ES (Replies): We would like to reflect further on the advantages and disadvantages of providing additional guidance on the remaining 85% of the portfolio. On the one hand, while it is true that this portion of the portfolio would remain subject to the applicable exclusion rules, a very large share of the investments would otherwise not be covered by specific positive contribution criteria. On the other hand, additional guidance could act as barrier to steer capital towards

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Questions	Replies
	Taxonomy-aligned activities. At this stage, we do not have a definitive position on this point but we would welcome further discussion. FR (Replies): The remaining 85% of investments should take into account exclusions from the category. Additional guidance might be cautiously considered to avoid creating a new list of "positive contribution criteria" for this safe harbour. HR (Replies): Yes, we consider that further guidance would be beneficial with respect to the remaining 85% of investments. In particular, some form of minimum safeguards or baseline requirements for the remaining investments could be envisaged. These could, for example, relate to a minimum share of compliance with a defined set of PAI indicators. The appropriate approach would require further consideration and discussion. IE (Replies): Yes. Similar to the previous comment, it would be important that the 85% is not inconsistent with the 15% product category. Yes, there is a need for further, clearer guidance on the remaining 85% of investments under the proposed SFDR 2.0 rules. While the 15% Taxonomy-aligned piece offers a clear, measurable threshold, the lack of explicit rules for the remainder of the portfolio could be a potential source of inconsistency and "greenwashing" risk. To mitigate these risks, it is necessary to evaluate if stricter rules are warranted to ensure the entire portfolio does no significant harm. Expanding stricter rules to the 85% of assets currently outside the primary threshold would be worthwhile provided we can strike an optimal balance between rigor and feasibility.

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Questions	Replies
	IT (Replies): Exclusions should be considered for the remaining 85% of the portfolio. LV (Replies): Without clarification or guidance, the framework risks inconsistent interpretation, increased compliance burden, and reduced comparability and clarity for investors. MT (Replies): Malta calls for clear guidance on the treatment of the remaining 85% of investments. NL (Replies): Yes we do believe further guidance is necessary, provided our earlier answer to question 17. PL (Replies): PL: Probably yes (further guidance could be needed regarding the remaining 85% of investments). PT (Replies): For Portugal, it would be important to further understand the interplay between the 15% safe harbour and the 70% threshold.

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Questions	Replies
	RO (Replies): - SI (Replies): Yes, further guidance would be useful in order to avoid different interpretations and ensure that the remaining investments do not undermine the objectives pursued by the proposed 15% threshold. SK (Replies): We do not consider necessary to set any other criteria for the remaining share of the investment except for the given exclusions.
20) Do you have any other comments or proposals under this section?	CZ (Replies): CZ: Not at the moment. DK (Replies): - LU (Replies): LU would like to question the inconsistency raised by other MS on the automatic qualification for PAB/CTB-replicating products as described in the following paragraph (Article 7.1). This provision could compromise due diligence standards and dilute sustainable outcomes if those strategies comprise investments which have not been individually assessed beyond specified exclusions.

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Questions	Replies
	As a general remark, in line with the Commission's 2024 "Better Regulation" agenda, Level 1 should clearly set out all key principles and concepts needed for full understanding and compliance. Essential elements must be clearly identified within the legislative act itself and should not be delegated to secondary legislation. Reference is made to concepts such as "clear and measurable", "appropriate", "new project", "credible transition plan", which clarity is crucial for operationalization and compliance. This lack of clarity would force market participants to rely heavily on Level 2 measures, which appears inconsistent with such legislative policy and objectives. LV (Replies): N/A MT (Replies): Malta does not have any further comments. NL (Replies): No other comments. PT (Replies): N/A. RO (Replies): No other comments

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Questions	Replies
	SI (Replies): /
3.1.4. Treatment of general-purpose sovereign exposures	
21) Do you agree with the approach taken for general-purpose sovereign debt, i.e. exclusion from the contribution for the sustainable and transition categories and possibility to be included in the contribution for the ESG basics category?	AT (Replies): In our opinion the approach is not fully clear, and more guidance is needed. Considering the various statements in the 2nd CWG we would like to outline, that we deem Austria´s federal government's green funding following the Harmonized Framework for Impact Reporting (HFIR) by ICMA fully eligible under the 70% contribution for all product categories, and kindly aks for confimation. Taking into accout general-purpose sovereign debts applying strict exclusion criteria (eg. no investments in coal), a contribution for the ESG basics category is also deemed appropriate. Given that the treatment of sovereign debt involves large sums of money, it clearly requires further in-depth discussion. BE (Replies): We agree with the current approach regarding sovereign debt. However, we think that it should be carefully assessed whether the inclusion as a contributing asset within the ESG basics category will not lead to have financial products investing in general-purpose sovereign debt automatically classified as sustainability-related. CZ (Replies): CZ: Yes, we are not against.

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Questions	Replies
	DE (Replies): Scrutiny reservation. It seems that excluding sovereign debt from the numerator could be problematic especially with regard to products that are (for regulatory reasons) heavily invested in sovereign debt, e.g. insurance products. It should therefore be considered whether other approaches are more suitable, also with a view to our goal of mobilizing capital and incentivizing FMPs to develop products with more sustainable investment strategies. Any approach should be operationally simple and avoid granular tracing of sovereign expenditures. DK (Replies): DK agrees with the approach taken for general-purpose sovereign debt for the sustainable and transition categories, i.e. not allowing sovereign debt to be included in the contribution percentage [however, it can be included in the remaining 30%]. With regards to the ESG Basic category, we would need further discussions before taking a final position. It is a bit unclear to us how general-purpose sovereign debt could be considered to integrate sustainability factors. Perhaps the Commission or Presidency could share some hypothetical examples of how such a methodology could look like for discussion purposes. EL (Replies): EL: We agree that general-purpose sovereign debt should be excluded from qualifying for both the numerator and the denominator of the portion of investment that needs to be met by financial products, as their inclusion is

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Questions	Replies
	necessary for asset liability management purposes, although difficult to classify on the basis of ESG criteria. ES (Replies): We understand that the intention of these provisions is to clarify that general-purpose public debt should not, per se, count towards the contribution threshold for the sustainable and transition categories, when there may be a lack of comprehensive metrics to assess its sustainability. However, general-purpose public debt plays a very important role in risk and maturity management, in particular for long-term investors such as insurance undertakings. This naturally includes portfolios with sustainability-related objectives. Excluding public debt from the numerator while keeping it in the denominator would mean that, de facto, it is treated as “brown” or non-sustainable. This could undermine the specific role that public debt plays in asset-liability management and, ultimately, could hinder the mobilisation of capital towards sustainable investments in portfolios where duration management and risk management are essential. For these reasons, we would favour excluding general-purpose public debt from both the numerator and the denominator when calculating the minimum contribution threshold for products categorised under any of the three categories. At the same time, we remain open to discussing whether, where duly justified and based on an appropriate methodology, general-purpose sovereign debt could be reflected within these categories. FI (Replies):

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Questions	Replies
	We'd like to note in a general level that the overall credibility of the framework might suffer should financial products be included to the categorization system that do not clearly meet the sustainability objectives. FR (Replies): We support the current approach regarding the inclusion of use-of-proceeds sovereign bonds in both the Transition and Sustainable categories. This method provides a robust and effective means of measuring the contribution of such bonds to the objectives of each category. In light of feedback from other Member States, we remain open to discussing a specific treatment for IBIPs, provided it is justified and that any adjustments are designed to accommodate these products without breach to the level playing field. HR (Replies): This approach is still under consideration. While we can understand the Commission's intention to exclude general-purpose sovereign debt from contributing to the sustainable and transition categories—given the challenges in evidencing a direct and measurable contribution to specific sustainability or transition objectives—the possibility to include such instruments in the ESG basics category seems intended to recognise minimum ESG-related considerations at sovereign level. IE (Replies): Yes, in principle, we support the approach. IT (Replies): The assessment on this issue is still in progress.

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Questions	Replies
	LU (Replies): LU does not have a strong position at this stage. The possibility to include general purpose sovereign debt in the ESG basic category should further be assessed in light of the ambition level set for this category and considering the risk of greenwashing. LV (Replies): We are agree. Clarification or guidance for criteria would avoid unintended distortions. MT (Replies): Malta acknowledges the Commission's rationale that general-purpose sovereign debt cannot, by default, be assumed to evidence a specific sustainability-related objective due to the absence of comprehensive and harmonised metrics. However, Malta is concerned that excluding general-purpose sovereign debt from the numerator while keeping it in the denominator of the 70% contribution threshold would mechanically penalise portfolios with structurally higher allocations to sovereign paper (notably insurance/long-term savings products and more conservative retail strategies), with potential implications for investor outcomes and market functioning. Malta therefore supports treating general-purpose sovereign debt as 'neutral' for the purposes of calculating the 70% contribution threshold in the sustainable and transition categories (i.e. not counted towards the numerator, but also not diluting the denominator for the threshold calculation). This would avoid unintended cliff effects while preserving the integrity of the contribution concept.

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Questions	Replies
	Malta agrees that sovereign use-of-proceeds instruments (including EU/sovereign green bonds) should be eligible to contribute to the 70% threshold across categories, subject to the relevant category criteria and safeguards (incl. applying exclusions at the level of the financed activities). For the ESG basics category, Malta can accept that general-purpose sovereign debt may be included in the contribution (numerator) where a financial market participant (FMP) applies a transparent, well-recognised methodology, but this should be accompanied by clear guardrails and disclosures to mitigate greenwashing risks. NL (Replies): We would favor the inclusion of sovereign or corporate issued green bonds in the art. 9 category if they align with (i.e. assurance is given on them re.) the ICMA standards or EU Green Bond Standard. We believe that Sustainability-Linked Bonds could be part of the transition category, provided proof is given on how the use-of-proceeds align with the minimum and exclusion criteria. Regular sovereign bonds should not be classified as counting up to the 70% threshold in the art. 7 and art. 9 categories. There is too little assurance that the use-of-proceeds are sustainable or transitional. (One argument to include them into art. 7/8/9 is that, at least in the EU, MS issuing bonds are subscribing to the EU climate law. Taking this argument further however would mean that one would need to discriminate between EU MS sovereign bonds and third-country sovereign bonds. This introduces unnecessary complexity.)

Questions	Replies
	With regards to art. 8, the proposal should introduce a solution for products that have a de facto mandatory level of sovereign bonds without lowering the bar for products that can pick and choose to have sovereign bonds as part of their mix. Principally, it is difficult to classify a portfolio with just sovereign bonds as 'ESG basics' yet many institutional investors that combine bonds with (relatively sustainable) equity should be able to disclose under SFDR art. 8. Lastly, we believe it may make little sense to refer to assessment methodologies to determine the ESG-compatibility of sovereign bonds since the use of proceeds of sovereign bonds cannot be adequately determined. PL (Replies): PL: We question the exclusion of sovereign debt from the numerator of the 70% threshold while it remains included in the denominator. If sovereign bonds are excluded from the numerator, they should also be excluded from the denominator in order to avoid artificially lowering the ratio and creating disproportionate effects for insurers. PT (Replies): As mentioned before, we are still subject **to a scrutiny reservation**. However, it should be noted that an absolute exclusion risks omitting companies for which sovereign debt represents a significant share of assets. We would therefore favour an approach based on the establishment of clear guidelines to assess the sustainability of these assets, rather than applying a blanket exclusion for the sustainable and transition categories. Such guidelines would help avoid divergent, ad hoc approaches adopted by individual sovereigns, which undermine comparability and may also increase the risk of greenwashing.

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Questions	Replies
	RO (Replies): - SI (Replies): We agree with the proposed approach. According to this approach general-purpose sovereign debt can be included in 30% threshold and also in 70% threshold, subject to appropriate disclosures. However, further clarification on the underlying criteria and assessment methodologies would be beneficial to ensure consistent application. SK (Replies): We understand why general-purpose sovereign debt was excluded from the contribution for the sustainable and transition categories, however it might create substantial obstacles for some financial products (especially in the insurance sector). We are open to some modifications.
22) Do you have any other comments or proposals under this section?	CZ (Replies): CZ: Not at the moment. DK (Replies): - IE (Replies): None LV

Questions	Replies
	(Replies): It is important to avoid unintended consequences for smaller capital markets and for Member States's financing conditions. MT (Replies): Malta proposes clarifying in Level 1 (and operationalising in Level 2) that, for the purposes of the 70% contribution calculation under the sustainable and transition categories, general-purpose sovereign debt should be treated as neutral (excluded from both numerator and denominator), to avoid mechanical dilution of the contribution ratio for products that hold sovereign paper for risk and duration management. Malta underlines the importance of avoiding unintended market impacts for long-term savings products and conservative retail portfolios in smaller markets, while preserving the integrity of the contribution concept and avoiding implicit 'brown' labelling of EU sovereign debt. NL (Replies): No other comments. PL (Replies): PL: The Regulation lacks clarity on how general-purpose sovereign debt should be treated. Since sovereign bonds are generally low-risk and reduce overall investment risk, a differentiated approach could be considered. For example, they could be excluded from the DNSH demonstration within the 30% of investments. The related methodological disclosure requirements for basic products (Article 8) could also be simplified. PT

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Questions	Replies
	(Replies): N/A. RO (Replies): - SI (Replies): /
3.2. Exclusions and principal adverse impacts	
23) Do you agree with the proposed exclusions, notably the ones added on top of the EU Climate Benchmark (PAB/CTB) exclusions? These include coal and companies with fossil fuel expansion activities for the transition category, coal for the ESG basics category, and companies with fossil fuel expansion activities for the sustainable category. If you do not agree please provide specific suggestions.	AT (Replies): We are still examining this provision. We are of the opinion that nuclear activities should be excluded as well, as this is a common practice for most sustainability products on the market (exclusion criteria). Apart from climate-related exclusion criteria, exclusion criteria on other environmental objectives could be considered. BE (Replies): In our opinion, the framework for the ESG basics category should be aligned with the current practice for transitional activities in the Taxonomy and exclude all fossil fuels expansion activities, with the exception of electricity generation or cogeneration, heat and cool production from fossil gaseous fuels (see categories 4.29 to 4.29). Coal should not be allowed in any of the category. CZ (Replies):

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Questions	Replies
	CZ: We see the need to limit investments in these companies and fields in categorised products in general. However, there are cases, where companies with goals to reduce emissions in hard-to-decarbonize sectors (e. g. aviation, shipping) can fall under the current exclusions. We should ensure that no company undergoing a serious transformation with objectively positive impact is excluded from the transition category. DE (Replies): We do not agree with the additional exclusions. Companies that are active in "brown" sectors are those that require capital for transition and if they are making credible efforts to transition they should be eligible. We think the Level 1 text already provides safeguards in this regard. Also, we think that the minimum exclusions with regard to climate should not be stricter than what the safe harbour rules allow, as this could lead to confusion and unnecessary incoherence. DK (Replies): DK agrees with the already proposed list of possible exclusions, including the ones added on top of the CTB/PAB exclusions. However, we think there is a need for a thorough discussion on whether there should be other exclusions added to the list for the sustainable category. We note that CTB/PAB exclusions only target companies in the energy sector, but other types of sectors/companies are also associated with high greenhouse gas emissions or other environmental impacts (for instance agriculture, the textile industry, or the transport sector). Therefore, there is a greenwashing

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Questions	Replies
	risk if such sectors and their potential impact are not necessarily excluded. We think it is important to find an agreement on this at political level (L1) and not leave it open to level 2 regulation or later interpretation. Despite of this, we share the concerns raised by France regarding the risk of excluding investments solely on the basis of e.g. involvement in tobacco industry, as such companies may also be in the process of transitioning. EL (Replies): EL: We recognize the importance of ensuring coherence across the wider EU legislative framework, and we appreciate the intention to align the proposed exclusions with existing EU standards, including those under the EU Climate Benchmarks. On this basis, and while we acknowledge the policy rationale presented, we are still in the process of assessing the full implications of the newly proposed exclusions—particularly those that go beyond the PAB/CTB exclusions. ES (Replies): We broadly agree with the overall approach and the hierarchy of the proposed exclusions. However, we support introducing an additional condition for use-of-proceeds instruments to ensure that the proceeds are not used to finance any fossil fuel-related activities, including oil fuels and gaseous fuels, in particular for products falling under the ESG basics and transition categories. We find hard to justify the categorisation under any of the categories of use-of-proceeds instruments that directly finance fossil fuel activities. FI (Replies):

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Questions	Replies
	Provisionally the included exclusions seem to be appropriate. FR (Replies): We agree with the proposed exclusion on the development of new projects for the exploration, extraction, distribution, or refining of hard coal and lignite in the Sustainable and Transition categories (Articles 7 and 9(2)c(ii)). This exclusion should be extended to the ESG Basics category. We propose removing "oil and gas distribution" from the scope of exclusion. Industry feedback indicates that the current PAB exclusion has inadvertently led to the exclusion of a significant number of companies, across multiple Member States, with only marginal exposure to the fossil fuel value chain. Many of these companies play a critical role in developing broader energy infrastructure, and their exclusion risks being counterproductive to financing the energy transition. On the Transition category, we support softening the exclusion criteria on fossil fuels activities. The current criteria seems overly restrictive, potentially excluding companies that, while developing new projects, are transitioning away from fossil fuels at the aggregate level. Such an approach could inadvertently hinder support for entities that are genuinely committed to decarbonization but are still in the process of transforming their business models. To address this, we recommend adopting alternative criteria that better reflect the dynamic nature of the transition. These criteria should include at least commitments and action plans in line with a transition plan based on CSRD or comparable frameworks, including the reduction of greenhouse gas emissions for scopes 1 and 2; transparency on scope 3 emissions; commitments and actions plans on an increasing share of evolution of low-carbon energy CAPEX relative to total CAPEX.

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Questions	Replies
	This should go along mandatory engagement strategy and transparency for investors on the product's exposure to fossil fuel activies. On the Sustainable category, we are open to discussing further exclusions to ensure that harmful investments are effectively excluded from this category. We should consider an additional exclusion on deep-sea mining activities, considering the high impact of these activities on ocean ecosystems and the very limited number of economic actors involved. The inclusion of fossil fuel companies is justified in the Transition category, which is specifically designed to support the transition of companies from brown to green. However, this rationale does not apply to the ESG Basics category, which aims to integrate ESG factors while avoiding harmful investments. For this reason, excluding fossil fuel companies in the ESG Basics category might be considered as a way to strengthen its integrity HR (Replies): With regard to the proposed exclusion of companies with fossil fuel expansion activities, this criterion may be legitimate in principle, as an expansion of fossil fuel activities would normally not be consistent with a transition objective. However, in practice, there may be cases where a company's transition pathway involves a temporary or short-term increase in fossil fuel activities due to objective circumstances. In such cases, a rigid exclusion could risk disincentivising genuine transition efforts. Therefore, consideration could be given to a more nuanced approach, allowing for limited and clearly justified short-term expansion, provided it is embedded in a credible medium- to long-term transition plan with measurable targets and timelines. IE

Questions	Replies
	(Replies): We generally agree with the direction of the proposed exclusions as a necessary step to enhance the credibility of EU sustainable finance product labels. IT (Replies): Concerns are expressed regarding certain aspects of the proposed exclusions, both in relation to the ESG Basics category and the transition category. With respect to the ESG Basics category, doubts arise about the possibility that funds classified under this category may invest in companies engaged in developing new fossil fuel activities, as such an approach appears inconsistent with the objectives and minimum safeguards expected from ESG- oriented products. At the same time, with regard to the transition category, there is a need to strike an appropriate balance between preserving the credibility of the categorisation framework and maintaining the capacity to channel capital towards credible transition pathways in hard-to-abate sectors. In this respect, the cumulative effect of the exclusion criteria under Regulation (EU) 2020/1818 and the additional exclusions set out in Article 7(1)(c) could, in practice, significantly narrow the investable universe for certain energy and lignite-related issuers, potentially limiting the ability of transition-oriented products to support decarbonisation efforts. In light of these considerations, further assessment and calibration of the proposed exclusions may be warranted in order to avoid unintended consequences while ensuring consistency with the overarching sustainability objectives. LU (Replies): LU is still assessing in detail this question.

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Questions	Replies
	We note that the proposed exclusions are not fully aligned with the established requirements of the ESMA fund naming Guidelines. In our view, this contradicts the objective of simplification and impacts the regulatory stability that is key to build investors' trust. We would like to highlight that the hard coal and lignite exclusion in the transition category (article 7) impacts a key transition sector, in depth discussion is required on that exclusion. LV (Replies): We overall support the proposed exceptions (e.g. a clear definition of "fossil fuel expansion"), ensuring compliance with transitional taxonomy actions, which should ensure clearer, more feasible and proportionate while still achieving the objective of preventing greenwashing and ensuring that categories reflect sound sustainability objectives. Yes, but we should be careful about rules that are too rigid for transition finance. For "transition" products, exclusions should not prevent financing of credible transition plans in hard-to-abate sectors where the EU needs industrial capacity. MT (Replies): Malta holds a scrutiny reservation on this matter. NL (Replies): We consider it important to keep the currently proposed exclusions in. In our view, there should be no room for fossil fuel expansion activities in any

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Questions	Replies
	companies included in the transition category, as such activities are not aligned with science-based Paris alignment pathways (such as the IEA scenarios) PL (Replies): PL: One comment – we are not in favour of defining the "transition" category too rigidly, which could exclude entities undergoing transformation. Investment in companies on a genuine transition path should be allowed so that the transition category does not become effectively inaccessible. PT (Replies): We have concerns regarding adding additional exclusion on top of the EU Climate Benchmark (PAB/CTB) exclusions. For the sake of simplicity, consistency, and effectiveness of transition financing, there should be a direct allignment between the SFDR exclusion regime and that of the EU Climate Benchmark (PAB/CTB), avoiding the use of additional exclusions that may excessively restrict the investment universe. RO (Replies): We are still analyzing the exclusions list, but our preliminary position is to support the proposal. SI (Replies): The proposed exclusions are acceptable, however, some concerns remain that the exclusions, particularly for the transition category, may be overly restrictive and may not sufficiently account for the dynamic nature of the transition. Consideration could be given to allowing companies with credible and verifiable transition plans to remain eligible, especially where fossil fuel expansion activities are limited and clearly aligned with a transition period

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Questions	Replies
	SK (Replies): In general, we agree with the proposed exclusions for the sustainable category. However, we have some doubts about the exclusions for the transition category. Energy sector is very important factor in the process of green transition, but it requires huge investments. We are not sure to completely eliminate these undertakings from the transition category if they perform large activities "in a good way" towards the transition.
24) Do you agree with keeping a legal link to the EU Climate Benchmark text (Benchmark Delegated Regulation) to ensure a long-term alignment between the two pieces of legislation?	AT (Replies): Yes, we agree. Coherence with the general sustainable finance framework is key. BE (Replies): Yes. We see merit in having as much as possible an alignment between the two regulations. CZ (Replies): CZ: We are not against this inclusion. That being said, we believe this inclusion in itself solves very little given that the link to the Climate Benchmark is very limited (at least in the Transition and ESG basics categories) and subject to other conditions. Furthermore, the exclusion of new project investments in coal, lignite and oil and gaseous fuels is overly simplified and we fear the combination of the two conditions will not cover all the realities of the financial market. *(e.g. Companies that explore and extract fuels at loss (early phases of such projects compared) compared to development of net carbon neutral fuel)*. The used wording 'managed in

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Questions	Replies
	reference to an EU Climate Benchmark' is moreover vague, and it would therefore be desirable to clarify it further. DE (Replies): In our view, the exclusions of the Climate Benchmarks and the SFDR should be aligned for the suitable categories. We are still analysing if a legal link is the best way to operationalize this. DK (Replies): DK agrees to keep the legal link to the Benchmark Regulation. We think it is important to maintain links to concepts that are already well-implemented in the market in order to ensure legal stability as much as possible. EL (Replies): EL: See answer on Q23. ES (Replies): We generally support maintaining a legal cross-reference to the EU Climate Benchmarks framework to ensure long-term alignment. However, in the specific case of use-of-proceeds instruments, such cross-reference may not operate smoothly. Article 12(1) of Delegated Regulation (EU) 2020/1818 is framed in terms of companies, whereas the relevant subparagraph in the SFDR proposal is drafted in terms of activities. For points (a) and (b), it may be sufficiently clear that the proceeds are not intended to fund activities related to prohibited weapons or to the cultivation and production of tobacco. However, point (d) refers to a 1% revenue threshold at company level, which may lead to

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Questions	Replies
	confusion as to how this test should be applied to use-of-proceeds instruments. We sent a proposed drafting suggestion in this regard. FI (Replies): Preferably the exclusion list would appear on L1 for legal certainty. FR (Replies): We have no preference between maintaining a legal link to the EU Climate Benchmark in SFDR or listing exclusions directly in SFDR without reference to the Benchmark Delegated Regulation. Regardless of the approach chosen, exclusions should be harmonized at a later stage, for instance concomitantly with the adoption of the future SFDR level 2 through modifications to the level 2 of the Benchmark Delegated Regulation, to ensure full alignment between the two legislative frameworks. This will prevent inconsistencies and promote regulatory coherence. HR (Replies): We agree. IE (Replies): Yes, we support retaining a legal link. IT (Replies): Support is expressed for maintaining a legal link with the EU Climate Benchmark framework, in order to ensure long-term alignment between the respective regimes and to prevent regulatory fragmentation.

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Questions	Replies
	LU (Replies): LU agrees with maintaining a legal link to the EU Climate Benchmark text, with the goal to ensure a long-term alignment between the two frameworks. LV (Replies): We can support alignment but at the same time there should be safeguards for predictably, for instance, adequate transition periods if rules change, otherwise products face “moving target” compliance risk. MT (Replies): Malta holds a scrutiny reservation on this matter. NL (Replies): We believe in a single, central list of exclusions within one piece of legislation, whether this is the Benchmark Regulation or the SFDR should be maintained. Separate lists in different legislative acts should be avoided to ensure consistency and long-term alignment. PT (Replies): Yes, Portugal can agree with keeping a legal link to the EU Climate Benchmark text to ensure a long-term alignment. RO (Replies): YES

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Questions	Replies
	SI (Replies): In principle, maintaining a legal link to the EU Climate Benchmark framework can support consistency and long-term alignment between the two legislative instruments. Nevertheless, it would be important to ensure sufficient flexibility to accommodate future developments and updates in order to avoid unintended constraints or misalignment over time.
25) Do you agree with the simplification of the DNSH test, i.e. the obligation for products falling under the sustainable and transition categories to identify and disclose principal adverse impacts in a more flexible bearing in mind the overall target of simplification.	AT (Replies): In general, yes. However, we are somewhat reluctant, as a fully flexible approach regarding PAIs would not allow for even a minimum level of comparability of products. Requiring a small number of indicators to be selected from a predefined list could be a way to balance comparability, flexibility and simplification properly. BE (Replies): We agree that the principal adverse impact indicators used for the DNSH test should be simplified. However, to preserve comparability, a limited set of criteria should remain mandatory for each category of financial products. For example, GHG emissions metrics should be required for all financial products categorised under Article 7. CZ (Replies): CZ: We support either significantly reducing or deleting the PAI disclosure, as exclusion rules for product categories could be sufficient without imposing any unnecessary administrative burden. Should API disclosure remain, we

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Questions	Replies
	support it being as efficient and minimal as possible, without undue administrative burden. DE (Replies): We support the objective of simplifying DNSH/PAI requirements. DK (Replies): DK supports to oblige financial market participants to identify and disclose principal adverse impacts of products within the transition and sustainable category. EL (Replies): EL: Yes, we agree with the simplification of the DNSH test, as long as granular clarifications are provided. ES (Replies): We are still assessing the PAI disclosures, but preliminary we are ok with the proposed approach. FR (Replies): We support removing “may choose to comply in full or in part” in article 7(1) and 9(1). We acknowledge the importance of maintaining flexibility to account for the diversity of investment strategies and disclosure practices. Still, we think

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	flexibility should not hamper comparability and harmonizing market practices, for the benefit of FMP themselves. For this reason, we suggest making the list of PAI indicators to be developed by the COM mandatory with limited exceptions. FMPs would be requested to select relevant PAI indicators from this list, avoiding the use of multiples indicators or in-house methodologies on similar topics (multiple ways to calculate GHG emissions for instance). Should these indicators prove irrelevant for a given product and investment strategy, FMPs could justify it and use other tailor-made indicators. A possible drafting suggestion for this provision could read as follows: "Financial market participants shall comply with the standard disclosure requirements […]. Where standard indicators are not relevant to the specific investment strategy, alternative indicators may be used, provided that their use is properly justified". We strongly support the use of ESRS as a foundational building block for defining the list of indicators. We are actively considering the following measures to enhance transparency and comparability between products, subject to further analysis: - Mandating PAI Disclosure for ESG Basics Products - Establishing a subset of limited "core mandatory indicators" that must be disclosed by all categorized funds, ensuring a baseline of standardized and comparable information. HR (Replies): While recognising that investment strategies may differ, we suggest considering the establishment of a minimum set of indicators that all financial market participants would be required to disclose, in addition to strategy-specific indicators selected by the provider. The current proposal leaves too

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Questions	Replies
	many degrees of freedom for providers in selecting indicators, which should be limited. HU (Replies): We support the simplification of information related to the DNSH principle if it ensures comparability with other products, but the level of flexibility specified would allow too much freedom, leading to a risk of PAI oversimplification and increased greenwashing. IE (Replies): Support simplification of DNSH. Would like to clarify whether the 15% Taxonomy threshold would also be taken as satisfying compliance with DNSH? IT (Replies): Support is expressed for introducing a more flexible obligation to identify and disclose principal adverse impacts for products falling within the sustainable and transition categories. However, to prevent discretion and ensure supervisory convergence, internal methodologies should be required to produce outcomes broadly comparable to those of the current PAI framework, and a set of minimum mandatory requirements should be established to validate any methodology adopted. These requirements would preserve the intended simplification while ensuring that disclosures remain decision-useful and consistent for end-investors. LU (Replies):

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Questions	Replies
	LU generally support the simplification of the DNSH test but we are still assessing the PAI disclosure requirements for article 7 and article 9 in this regard. LV (Replies): We agree that the current regulation of the DNSH is unclear, too complex, difficult to implement and largely constrained by a lack of data, and proposed simplification should be accompanied by clear minimum expectations. Yes, we support the simplification of the DNSH test, as it can significantly reduce administrative burden — particularly for smaller market participants — while still maintaining an adequate level of transparency to prevent misleading sustainability claims. Simplification is also likely to encourage greater investment activity and increase market turnover. At the same time, we consider it important that DNSH assessments remain embedded within the framework of specific programmes rather than being required across all activities related to the implementation of financial instruments. Imposing DNSH checks universally could negatively affect competitiveness, especially given that comparable obligations do not exist outside the EU. A proportionate and context-specific approach would therefore be more consistent with the objective of simplification. MT (Replies): Malta supports the proposed simplification of the DNSH, as currently it is very complex. NL (Replies):

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Questions	Replies
	We are largely sympathetic to the Commission proposal regarding PAIs (disclosures should be made esp. for art. 9 products, but some flexibility could help lower burdens). In addition, it is unclear what is expected from product providers when significant harm is uncovered (is it sufficient to only have a disclosure requirement with regards to actions taken in response to the harm?). PL (Replies): PL: We support abandoning the RTS and generally the simplification of the DNSH. PT (Replies): For Portugal, requiring product-level disclosure of principal adverse impact (PAI) indicators for Transition and Sustainable products may add complexity without clear added value. The coexistence of multiple sets of indicators together with flexibility in their selection, risks inconsistent implementation and may complicate supervisory review. The revised SFDR already introduces a sustainability strategy supported by robust KPIs and harmonized exclusion criteria. In most cases, these elements should be sufficient to ensure the credibility and integrity of the product categorization. Simplifying the PAI requirement in this context could reduce regulatory complexity, improve comparability between products, and facilitate supervision, while still preserving the SFDR's overarching objectives of transparency and the prevention of greenwashing. RO (Replies):

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Questions	Replies
	YES SI (Replies): We agree with the simplification of the DNSH test with a more flexible approach to identifying and disclosing principal adverse impacts for products in the sustainable and transition categories. A more adaptable framework can make disclosures more practical and improve the quality and comparability of information available to investors. SK (Replies): We agree with the simplification.
26) Do you have any other comments or proposals under this section?	AT (Replies): Would it be allowed to include general-purpose sovereign debt from countries that have not committed themselves to the Paris Agreement? CZ (Replies): CZ: Not at the moment. DE (Replies): Currently, exclusions cover “violations of the UN Global Compact or the OECD Guidelines”. The UNGC is not a standard, but a non-binding initiative with voluntary principles and is therefore not suitable for defining exclusions. Instead, the text should refer to the United Nations Guiding Principles on

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Questions	Replies
	Business and Human Rights, which is also in line with the Taxonomy minimum safeguards. DK (Replies): DK thinks that further discussions are needed regarding the CTB/PAB safe harbour, including the link to the supplementing exclusions criteria regarding the development of new fossil fuel projects in the proposed Article 7(1)(c) and Article 9(1)(c). As we noted at the last CWP on 20 January, there seems to be a discrepancy between the exclusions for those products applying the criteria in article 7(1) and 9(1) and those products tracking CTB or PAB as the supplementing exclusions criteria mentioned above are not included in the BMR delegated act. Is this correct, or is the requirement on benchmark administrators to carry out a "DNSH" assessment in art. 12(2) of the BMR delegated act expected to de-facto also exclude investments in companies developing new fossil fuel projects? FI (Replies): The provisions concerning the exclusions should be clear and coherent. It seems that there might be some concerns with the inconsistencies with the proposal, ESMA's naming guideline and CTB art 12 exclusions. Furthermore, it might be useful to get some clarity on whether PAB exclusions for art 7 and 9 products only apply towards direct investments or also indirect (such as ETF's). IE

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Questions	Replies
	(Replies): None LU (Replies): We are open to discuss whether exclusions shall be tailored to the specific objectives of the products. LV (Replies): The framework should support capital mobilisation into EU industry transformation, not discourage it through excessive compliance uncertainty. MT (Replies): Malta does not have any further comments. NL (Replies): No other comments. PT (Replies): N/A. SI (Replies): /
4. Naming rules and marketing communications	
27) Do you agree with the overall approach whereby the use of ESG terms in names and marketing communications should be reserved for categorised	AT

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Questions	Replies
products while information on how non-categorised products integrate any ESG features should be ancillary, non-central and limited to legal documentation (pre-contractual disclosures and periodic reports)?	(Replies): Yes, we agree with the overall approach. BE (Replies): We agree with the overall approach. However, we have some reservations regarding the possibility for non-categorised products to include ESG features in an ancillary, non-central, and limited manner within their legal documentation. Allowing financial market participants to do so could undermine the readability of the overall framework and create confusion for retail investors, who may struggle to differentiate between product types—particularly when comparing them with ESG basics products. In our view, extensive consumer testing is essential before considering such an option. CZ (Replies): CZ: Yes, we agree in principle. DE (Replies): We support introducing harmonized rules for all products within the scope of the SFDR 2.0 with regard to governing the use of sustainability-related terms in product names and marketing materials. ESMA's assessment of its Guidelines on fund names shows that investors - particularly retail investors - are most strongly influenced by a product's name when making investment decisions, while sustainability-related information in marketing materials is only read and understood to a limited extent. The design of the rules should build on these lessons learned from the introduction of the ESMA Guidelines. DK

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Questions	Replies
	(Replies): DK finds it very important to clarify which terms can be used in the names of the products. For example, can a product in the sustainable category use (amongst other terms) “ESG” in its name? If so, DK sees a potential risk of investor misleading, since ESG can also be used in the name of a product within the ESG basic category, which is not as ambitious In this regard, we think article 13 needs to be more clear, particularly regarding which specific terms are permitted (or potentially obliged) to be included in the name of different products. EL (Replies): EL: Pre-contractual disclosures and periodic reports should be very clear and not misleading regarding non-categorised products. ES (Replies): We broadly support the direction taken by the proposal. We think it is important to reserve the use of ESG-related terms in product names and marketing materials to products that are actually categorised under the SFDR framework, as this is key to preserving the credibility of the system and limiting greenwashing risks. FI (Replies): Preliminarily the overall approach where the use of ESG terms is reserved for categorized products seems to be appropriate. There is a clear risk of

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Questions	Replies
	misleading investors if non-categorized products could freely use ESG terminology. The naming of the categories, particularly with article 8 products, should be re-evaluated. The term ESG basic can be easily misconstrued and can leave investors with wrong impression of the level of ambition of the said category. Even if the term "basic" is meant to mean just a minimum level of taking into account of ESG factors, the investors might not interpret the name as such. It can be easily mixed with the sustainable category. We have also seen with current article 8 and 9 that market practises develop quite fast based on the chosen wording in the regulation. FR (Replies): We support giving categorised products an advantage over non-categorised products as regarding naming and communications to investors. HR (Replies): Yes, we agree with the overall approach whereby the use of ESG terms in names and marketing communications should be reserved for categorised product, however we have a reservation about non-categorised products integrate any ESG features should be ancillary, non-central and limited to legal documentation (pre-contractual disclosures and periodic reports). Limiting the amount of sustainability-related text in pre-contractual documentation (for example, an arbitrary 10% threshold) is, in our view, an insufficient safeguard against misleading communication and greenwashing. In addition, setting such thresholds raises question of missing methodology for performing such check-ups and also raises concerns as to significantly

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Questions	Replies
	increasing volume of supervisory tasks to be performed by national supervisors. IE (Replies): Yes, we agree with the overall approach. The use of "ESG" terms should then become a reliable market signal backed by mandatory, measurable standards (e.g., minimum thresholds and exclusions). The restrictions should assist investors by providing relatively simple standard information, improving comparability and aiding decision-making. IT (Replies): We support the overall approach whereby the use of ESG-related terms in product names and marketing communications is reserved for categorised products, as this provides a clear investor-facing signal and helps reduce the risk of greenwashing. At the same time, the new Article 6a should work as a narrowly framed “information channel” for non-categorised products, provided its rationale and boundaries are clarified to avoid the emergence of a de facto “quasi-category” based on sustainability-related messaging. To prevent discretion and ensure supervisory convergence, we consider it necessary to introduce clear definitions of “sustainability factors” and “sustainable claim,” and to set explicit rules on the information that may be disclosed under Article 6a, so as to guarantee that any sustainability- related information for non- categorised products does not amount to a “sustainable claim” and remains clearly distinguishable from the features of categorised products. Consistently with this approach, sustainability-related information for non-categorised products should be confined to legal documentation (pre-contractual and periodic disclosures) and remain clearly distinguishable from

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Questions	Replies
	the characteristics of categorised products, including through restrictions on the prominence, format and placement of such information. LU (Replies): The restrictions foreseen under new Article 6a on marketing communications risk limiting managers' ability to develop sustainability features for funds outside the new categories. Such constraints could hinder product innovation and reduce the capacity to tailor offerings to evolving investor needs and preferences. We need to ensure coherence with the rules existing under the current ESMA guidelines and the need for flexibility and innovation. LV (Replies): We agree with the overall approach of reserving ESG related terms in names and marketing communications exclusively for categorized products, while allowing non categorized products to provide only ancillary and non-central ESG information in legal documentation. MT (Replies): Malta supports the use of ESG terms in names and marketing communication only for categorised products. Malta calls for caution when including the use of ESG terms for non-categorised products to eliminate any possible greenwashing. To note, primarily that one should reach an agreement on the categories of products applicable before tackling this topic.

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Questions	Replies
	NL (Replies): We believe it important to ensure that pension products are not effectively prevented from complying with one of the categories or that pension funds are not prevented to communicate over pension products that do not fall within the categories. PL (Replies): PL: Yes, we support the overall approach. PT (Replies): As mentioned by some Member States during the last Council Working Party, we believe that the naming and marketing communications rules should only be discussed after concluding the discussions on all the categories. RO (Replies): We support the overall approach. SI (Replies): In our opinion ESG-related terms should only be used in the names and marketing communications of products that have been formally categorised under the revised sustainability framework. Limiting ESG language to categorised products helps ensure that sustainability claims are supported by consistent disclosures and reduces the risk of misleading or confusing information for investors. For products that are not categorised, any ESG-related information should remain secondary and limited to pre-contractual disclosures and periodic reports.

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Questions	Replies
	SK (Replies): We would consider that non-categorised products would be subject only to voluntary disclosure of any ESG features.
28) Do you see a need to be more (or less) prescriptive as regards e.g. how to ensure that non-categorised products convey any ESG information only in an ancillary and non-central manner?	AT (Replies): The term "fair" in Art 13 (3) requires further specification. Also the conditions for marketing communications of non-categorised products need to be elaborated in a better way. Article 13, para 3 refers to Art 9a para 1 a) to c) instead of para 2). BE (Replies): We support the introduction of clearer guidance on the terminology that financial market participants may use under Article 6a for ESG information relating to non- categorised products, as well as on how such information should be presented, including its layout and the space that may be allocated to it. CZ (Replies): CZ: We believe the approach taken by the Commission is sufficient. DE (Replies): We consider it appropriate that non-categorized products within the scope should also be allowed, to a limited extent, to disclose in their legal documentation how sustainability considerations are considered as the assessment has shown that their impact is limited at any rate.

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Questions	Replies
	It is however unclear how the 10% (ancillary and non-central manner) are calculated. Alternatively, we suggest adding a notice (disclaimer) to the products stating that they are not assigned to any sustainability category as well as the requirement not to be central content. DK (Replies): DK finds it necessary with some further discussions about the proposed article 6a. If the provision is necessary for a financial market participant to be able to give information – outside of category – about a product's sustainability factors, we find it important to maintain, e.g. for supervision purposes and transparency. However, if the financial market participant can always provide information "voluntarily" outside of category, we don't see the purpose of – or need for – this specific provision. Furthermore, we are not in favour of the 10% descriptive length threshold, deciding whether an element is central, as we see potential practical difficulties arising from the application hereof. We think it would be better to leave this to supervisors to assess on a case-by-case basis to decide if it is an important element of the investment strategy. EL (Replies): EL: We would have concerns about becoming overly prescriptive in this area. Above all, pre-contractual disclosures and periodic reports for non- categorised products should remain very clear and not misleading for investors. Accordingly, in our view, any requirements should focus on ensuring proportionality and clarity, while avoiding detailed rules that could

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Questions	Replies
	unintentionally create unclarity between categorised and non- categorised products. ES (Replies): As regards non-categorised products, we agree that any reference to ESG aspects should remain clearly ancillary and should be confined to pre-contractual documents and periodic reports, rather than being used as a marketing tool. When it comes to how prescriptive the rules should be in ensuring that such information remains truly non-central, our initial inclination would be towards a more restrictive approach. However, this is an issue we are still reflecting on, and we do not yet have a definitive position. FI (Replies): Yes, there might be a need for more clarity. Any ESG information given from non-categorized products should not increase the risk of greenwashing. Furthermore, currently article 6 a and the less than 10 percent limit is ambiguous. The counting methodologies of this 10 percent should be clear enough so that supervisors are able to supervise this in practise. HR (Replies): Should the final text allow for non-categorised products, we are of the opinion that such products should be required to disclose the following statement in all regulatory and marketing materials, in an easily visible place, i.e. on the first page under the name of the product: “This product is not categorised under SFDR as a product focused on sustainability or transition investments. Any sustainability-related or transition

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Questions	Replies
	investments within the product are limited in scope and scale and do not form a meaningful or defining element of the product's investment strategy or objective" IE (Replies): We agree with the current approach. However, the qualitative definition of "non-central" may require further explanation to ensure consistent and non-promotional use in non-categorised product documentation. IT (Replies): It is considered necessary to adopt a more prescriptive approach in this area, providing greater detail on the manner in which such information should be disclosed and clearly identifying the terminology permitted to indicate that non-classified products consider sustainability factors. Further clarification is also required regarding the distinction between these products and those classified under one of the categories referred to in Articles 7, 8 and 9. The criteria set out in Article 6a—namely that such information should not constitute a central element of the document and should avoid any "green" terminology that could mislead investors—may serve as an appropriate foundation. LU (Replies): The 10% restriction of article 6a may be difficult to assess in practice. We would be open to introducing a minimal transparency requirement, such as a disclaimer stating that "the product is not a sustainability-related financial products categorized in accordance with article 7,8 or 9" along with the reason why.

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Questions	Replies
	LV (Replies): We don't have a strong stance about there is a need to be more (or less) prescriptive as regards e.g. how to ensure that noncategorized products convey any ESG information only in an ancillary and non-central manner? We would prefer a targeted guidance rather than overly prescriptive micro-rules. MT (Replies): Malta supports a more prescriptive approach. NL (Replies): In our view, the transition category should be based on investee companies with credible transition plans—that is, assessment should occur at the company level. Companies included in this category should have a transition plan or be close to establishing one. This is necessary to avoid greenwashing at the portfolio level. Otherwise, transition products could include companies nowhere near transitioning, simply offsetting this with other companies that are, which is contrary to investor expectations and could undermine trust and confidence in the framework and the market as a whole. PT (Replies): See our comment above. SI (Replies): We don't see a need to be more prescriptive on how non-categorised products convey ESG information. The current framework already sets clear limits on

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Questions	Replies
	sustainability references outside categorised products and further prescription could add unnecessary complexity without materially improving clarity for investors.
29) Do you have any other comments or proposals under this section?	AT (Replies): In the newly introduced Article 6a (1) lit b) SFDR reference is made to the UCITS KIID ("(b) is not included in the KIID as referred to in Article 78 of Directive 2009/65/EC"). In this context, we would like to point out that the UCITS KIID is intended to be abolished under the COM proposal for the MISP. Consequently, this reference should also be removed from this proposal. As already mentioned in the CWG several questions also arose with regard to the treatment of insurance-based investment products in the form of traditional with-profit life insurance products and unit-linked insurance products. As these practical and detailed questions were raised by the Austrian Financial Market Authority, we would welcome the opportunity to discuss them bilaterally with the involvement of the Authority. We wonder whether the proposed categories can adequately reflect the complexity of life insurance products and whether insurance products can be classified in a meaningful way. How should traditional life insurance policies investing in government bonds be handled? How should financial sector bonds (e.g., from banks or insurance companies that are members of the Austrian Green Finance Alliance or similar voluntary, self-commitment initiatives, or that have a pronounced ESG strategy) be categorized?

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Questions	Replies
	How should unit-linked life insurance policies be handled where the customer can choose the underlying funds (Multi Option Products/MOPs) and it is not clear in advance whether the customer will exceed the 70% threshold? How should unit-linked life insurance be handled if it is not marketed as a fixed portfolio and does not exclusively offer sustainable funds? a) Does disclosure pursuant to Article 8 SFDR have to be made in any case, since the customer can select > 70% sustainable funds as underlying in individual cases? Or does disclosure have to be made according to Art. 9a SFDR? b) Or may the product not be classified as a product of the "ESG basics category" at all since the customer can also select < 70% sustainable funds? • However, this would mean that no disclosure pursuant to Art. 8 SFDR would be made either. • Furthermore, it is questionable whether a "sustainability claim" must be omitted in such cases. But how should the sustainable funds be "presented" in this case? CZ (Replies): CZ: Not at the moment. DE (Replies): Article 13 Nr. 1 raises the question if the ESMA Guidelines could still be applicable even after the SFDR 2.0 has entered in force? In our view, the

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Questions	Replies
	ESMA Guidelines should be abolished with the introduction of naming rules under the SFDR. Should the issue of which names may be used in connection with the categories be set out via delegated act, there is no corresponding legal basis on Level 1 as of now. DK (Replies): - FR (Replies): Nonetheless, we do not yet have a definitive position on the provisions laid down in Article 6a and the second subparagraph of Article 13(3). These provisions should only be debated once an agreement has been reached on the categorization framework, along with its robustness, and how Article 9a products can effectively communicate their features. Feedback from consultation suggests that a quantitative method offers proportionate flexibility for supervisors. If this provision is retained, we recommend developing additional guidance, such as RTS to facilitate regulatory oversight and provide concrete details on the information FMPs can disclose. IE (Replies): None IT (Replies): The primary concern in this area relates to the interaction with the forthcoming MiFID II rules governing the distribution of products with ESG features. In particular, it remains unclear how the Commission intends for both

Questions	Replies
	"categorised" and "non-categorised" SFDR products—when presenting certain ESG characteristics—to be taken into account within the new definition of clients' sustainability preferences. Extensive supervisory experience indicates that ensuring conceptual clarity for retail clients is essential, while it is equally important that distributors are provided with clear rules for mapping products' ESG features. From this perspective, the proposed approach whereby SFDR products that do not qualify for a category but nonetheless "consider sustainability factors" are permitted to disclose certain information regarding their ESG characteristics—even as an ancillary and non-central element—poses risks to the effectiveness and clarity of the overall framework and may open the door to greenwashing. A similar concern applies to the treatment of non-categorised products under Article 9a(2), which is understood to be subject to further discussion at a later stage. LV (Replies): Naming rules should be coupled with supervisory convergence across Member States to avoid inconsistent enforcement and competitive distortions. MT (Replies): Malta does not have any further comments. NL (Replies): Further we would like to ask if any consideration has been given to aligning the minimum exclusion criteria for SFDR product categories with existing EU regulatory frameworks, such as the ESMA Fund Naming Guidelines (e.g.,

Questions	Replies
	applying CTB criteria for 'Transition'/'ESG Basic' products and PAB criteria for 'Sustainable' products)? Additionally, are the results of consumer testing being applied not only to disclosure documents, but also to the selection of product category names to enhance clarity and investor understanding? PT (Replies): N/A. SI (Replies): /

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