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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
N° Cion doc.:	ST 15751 2025 INIT
Subject:	SFDR Review - questionnaire after CWP of 17/3 - replies from 22 MS

Questionnaire after CWP on 17 March 2026 Deadline: ***24 March 2026 COB***
From: AT, BE, BG, CZ, DE, DK, EE, EL, ES, FI, FR, HU, IE, IT, LT, LU, NL, PL, PT, RO, SI, SK **Updated: 30/03/2026 10:15**

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Please kindly provide your contributions in the table below.

Drafting suggestions: you may use '**track changes**'* or formatting (for example **bold-underline** for additions and ~~strike-through~~ for deletions, **where necessary, in a different colour**). *Track changes can only be connected once the cursor is placed in editable areas (Drafting or Comments columns).

To make it feasible to consolidate all contributions, the structure of the table must not be changed, so **no rows can be added or deleted.**

New provisions may only be added in any of the **'existing cells'.**

Name of document: please add the **two initials** of your delegation's country followed by a space (to the MS Word document name), followed by any optional text, for example, for Austria: **AT comments on … .docx**

Thank you for your cooperation!

Questions	Comments
1. Do you support any/all of these suggestions?	AT (Comments): We can support the harmonisation approach according to Art 14 (3) if national voluntary labelling schemes are still allowed according to Art 17 (2). The SFDR does not foresee any certification system and is no "label in the narrow sense" (unlike e.g. the Austrian Ecolabel for Financial Products with a strict governance regime). For coherence, a passus could be included to clarify the requirement for existing national labels to consider the SFDR in standard setting. In order to allow for a sufficient stock-taking period, the first reporting deadline for ESAs in Art 18 could be (slightly) extended. Regarding Art 19 we support the further extension of the review reporting by the Commission in line with the CC on simplifying the Unions financial services framework. Moreover, there should be a meaningful sequencing of the foreseen reportings BE

Questions	Comments
	(Comments): We consider the current drafting of the text to be satisfactory and do not see a need for further amendments. We support the harmonisation clause included in article 14(3) as it will enhance convergent supervisory practices, without being opposed to continue application of national entity-level disclosures. In our view, the review clause could be extended farer than 3 years, taking into consideration the sequencing between the adoption of the regulation and its entry into force. BG (Comments): **BG:** Regarding the amendments **in Art. 14** we would like to note that credit institutions are no longer in the scope (in Art. 2, par.1, letter (j) is deleted) and therefore the reference to Directive 2013/36/EU in Art. 14, par. 1 should be deleted. In addition, the rationale to add the terms "defined" and "specified" for competent authorities is not clear. „1. Member States shall ensure that the competent authorities **defined**, designated or **specified** in accordance with sectoral legislation, in particular the sectoral legislation referred to in Article 6(3) of this Regulation~~, and in accordance with Directive 2013/36/EU~~, monitor the compliance of financial market participants and financial advisers with the requirements of this Regulation. The competent authorities shall have all the supervisory and investigatory powers that are necessary for the exercise of their functions under this Regulation." We would support the review clause **in Article 19** to be 5 (not 3) years after entry into application CZ (Comments): CZ: We have no strong opinion on these suggestions. DE

Questions	Comments
	(Comments): DE We generally support suggestions that would lead to further simplifications of the SFDR. Given that the SFDR review shifts the regulation from a disclosure regime to a categorisation system, we would suggest a review clause that distinguishes between the different parts of the Regulation, for example by providing for a shorter review period for Taxonomy threshold. DK (Comments): ***"Disclaimer":*** *The Danish government has recently called for a general election (which will be held on 24 March 2026), why there may be limitations to the Danish mandate. Our positions in the following should therefore be considered subject to possible changes in policy or priorities by the incoming government. DK thus reserves the right to reconsider and, if necessary, adjust its position following the election.* Exemptions: As for **article 17(2)** and the proposed introduction of a new exemption for closed-ended products, we are unsure whether Recital 26 provides a sufficient definition of "closed-ended" products. Legal exemptions should always be clearly defined. ESA-reporting: Regarding **article 18, DK supports to reduce the frequency of the report** from one **to every two years** as proposed by the Commission. Additionally, we suggest including wording about content and purpose of the report to enhance the NCAs ability to plan their supervision and input to the report in accordance with its purpose.

Questions	Comments
	Review clause: Regarding **article 19, DK supports to extend the review clause to 5 years** (instead of 3 years), in line with the Council conclusions on simplification, as revising the rules too often also constitutes a burden on FMPs. EE (Comments): We support the harmonisation clause in art 14(3) We could also support longer period in art 19 review clause (5 years instead of 3 years). EL (Comments): EL: We are open to all the suggestions. We particularly support the harmonisation clause in Article 14(3) ES (Comments): Regarding Article 14, we support the provision included in paragraph 3 to ensure that competent or other national authorities do not apply requirements additional to those set out in the referenced Articles of the Regulation. In particular, we support keeping Article 3 in the scope of this article. On the review clause, we do not oppose in principle to adjust the 3-year period, but this discussion needs to be taken once the working party has clarity on the exact date of application of this regulation and once we know the content of the regulation and what we cover in the review clause. FR (Comments): On Article 14(3), we support the removal of the reference to Article 3 that is the only article on entity-level disclosure. The current proposal would prevent

Questions	Comments
	Member States from applying national requirements aimed at broadening the scope of information published on sustainability risk management and financial supervision. It has no impact on the distribution of products, which is the core of the SFDR. On Article 17(2), we are strongly in support. On Article 19, we think the scope of the review clause should be defined once an agreement is found within the rest of the proposal. HU (Comments): In general of our view, the categorization of sustainable financial products should be aligned with the classification of sustainable economic activities under the Taxonomy in the interests of consistency. We do not support the introduction of measures restricting fossil fuel investments through financial market participants and instruments, which, on the one hand, hinder the implementation of green investments at the corporate level and, on the other hand, undermine the competitiveness of companies affected by excluded activities. This may be contrary to the principle of a "just transition," which aims to achieve climate neutrality in an economically and socially balanced manner. The exclusion of certain economic activities classified as sustainable or transitional under the Taxonomy, or the partial and selective application of the Taxonomy's screening criteria (e.g., 100g CO2 emissions), violates the unity of EU law by creating new categories of financial products from sustainable financing. The complete exclusion of companies on the basis of their hydrocarbon production activities is a disproportionate and unjustified restriction on the use of green financial products. A project- and investment-level approach to environmental performance assessment would better serve the goals of emission reduction and

Questions	Comments
	decarbonisation. The broad authorization of financial market participants to determine activities and companies that can be excluded from financing is disproportionate, creates legal uncertainty, and undermines the substantive application of the screening criteria under the Sustainable Finance Regulation. Natural gas-based electricity generation, which is also capable of accommodating hydrogen, and the extraction, processing and distribution of natural gas are transitional activities that reduce dependence on carbon-intensive solutions during the transition to a renewable-based energy system, which strengthens the EU's strategic autonomy and should not be penalized by regulation. We recommend that these activities be excluded from the scope of the exclusion provisions. IE (Comments): Yes. Article 18 – Agree with the Commission proposal to reduce the frequency to every 2nd year for the ESA report. Article 19 – Agree with 5 year review clause IT (Comments): With regard to Art. 19, and especially paragraph 1, lett. a), we preliminarily underline the market's request for normative stability within the framework and may support the proposal to extend the review clause from three to five years in order to enhance legal certainty and to take into account the simplification and burden reduction objectives. LT (Comments): We support clarifying that updates under Article 12 should concern material changes, in order to ensure proportionality and avoid unnecessary administrative burden for financial market participants.

Questions	Comments
	We are of the view that review clause in Article 19 should remain 3 years after entry into application of SFDR. As material changes, new categories and criteria are being introduced it is essential to review the operability and suitability of the requirements without delay. We are open to discuss the review clause again when the agreement on main principles and grandfathering provisions will be in place. Finally, we do not support removing Article 3 from the scope of Article 14(3), as avoiding national gold-plating is important for internal market coherence. LU (Comments): **LU** does not support the suggested removal of Paragraph 3 from the scope of Article 14: this provision is essential to prevent regulatory fragmentation. Maintaining the harmonisation clause (Article 14) will ensure that sustainability-related financial products are subject to a consistent framework, thereby enhancing comparability for end-investors and supporting the integrity of the EU market. On the review clause (Article 19). We support the proposed extension to 5 years instead of 3 years, in compliance with the overall objective of providing regulatory certainty and stability. Reference is made to the Council conclusions of 12 December 2025): "the periods after which the provisions are to be reviewed due to review clauses should ensure that enough experience has been gained and allow for available evidence of for example a minimum of five years after the date of application of a given provision". Considering the significant overhaul of the SFDR framework, we believe that 3 years is not a sensible proposition. On Article 17(2), as already mentioned this exemption is welcome. Clarity is required with regard to the continuation of ongoing reporting for closed-ended products targeted by this exemption. According to the market, reporting requirements applicable under the current SFDR framework shall continue to apply to these financial products after the application of the amended Regulation.

Questions	Comments
	NL (Comments): With regards to the articles not yet covered, The Netherlands would like to make the following remarks. - **Article 14** – In general, we support the harmonization clause of Article 14. - **Article 15** subjects IORPs to the SFDR. This is an important topic for The Netherlands given the vast size of our pension funds. We support the inclusion of pension funds under SFDR given that the ESG Basics category and article 9a seem to give pension funds sufficient flexibility to continue to communicate to their participants about sustainability matters. We therefore call for these articles to remain intact. - Regarding exempting article 3 from the harmonization clause, The Netherlands still has several questions. Most importantly, we underline the goals of the SFDR and strive for the greatest possible harmonization. This will help to provide clarity to financial market participants, especially those that are operating across borders. It should be prevented that national divergences over entity-level requirements re-introduce a patchwork of obligations across Member States. This would hinder rather than support simplification. - **Article 17** – When it comes to exemptions, we would understand if national labelling schemes would remain permitted. Simultaneously, it should be ensured that these national labelling schemes do not de facto undermine the integrity of SFDR, for instance when they would allow financial market participants to communicate about sustainability under a (voluntary) national regime even if their products do not match the standards SFDR sets. We would invite the Presidency or Commission to clarify this in the recitals.

Questions	Comments
	- **Article 18** – No comment. - **Article 19** – The Netherlands supports the review clause to be 5 instead of 3 years. PL (Comments): PL: a) support for Article 14(3) and the introduction of the harmonisation clause; b) with regard to Article 18, we consider that requiring the ESAs to report every two years may be too frequent, particularly in light of the time needed for financial market participants to adapt their product offerings to evolving legislation, as well as the typical duration of product development processes; c) as for Article 19, the proposed review period of 36 months appears too short, given that this timeframe would likely be largely absorbed by preparatory work related to potential legislative changes, leaving limited scope for a meaningful assessment of the revised framework. PT (Comments): **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.** On Article 12, updates on material changes would streamline compliance and reduce administrative burdens, particularly for SMEs. However, it should be ensured that websites do not become compliance repositories, in place of communication tools. On Article 14(3), in our view, retaining no 3 ensures consistency and prevents a patchwork of national rules, which could complicate compliance for cross-

Questions	Comments
	border financial market participants. The current framework already allows for voluntary national labelling schemes under Article 17(2), provided they exceed the SFDR's baseline requirements On Article 18, we have some questions on the deadlines and the need for the ESAS to submit a report to the Commission on best practices every 2 years. This represents a significant workload that is not commensurate with its usefulness. We, therefore, suggest that the frequency be extended to every 3–5 years. Additionally, we also see it as positive that the review period in Article 19 is extended from 3 to 5 years. This aligns with the Council's December 2025 conclusions on simplifying financial services regulation. A longer review period allows for market maturation, improved ESG data availability, and a more meaningful assessment of the SFDR's impact. In our view, this adjustment would also reduce regulatory uncertainty. RO (Comments): Yes, we support all of these suggestions, the current drafting is appropriate. SI (Comments): We generally support the direction of the proposed changes, in particular the objective of enhancing clarity, comparability and credibility of product categorisation, while ensuring practical applicability across different asset classes. SK (Comments): We support the harmonisation clause in Art. 14 (3). We are open to prolong the review clause in Art. 19 to 5 years.

Questions	Comments
2. Do you consider that any other Articles have not been covered and have comments or questions on those?	AT (Comments): In the report, according to Art. 19 also decarbonisation effects of the transition category should be take into account BE (Comments): Regarding article 19 and in relation with the exclusions included in articles 7, 8 and 9 based on delegated regulation 2020/1818, we would like to raise the question of whether it could be useful to consider granting an empowerment to the European Commission to clarify certain exclusions set out in Article 12 of Delegated Regulation (EU) 2020/1818. Such clarification could help operationalise these requirements, for example by specifying which types of economic activities are excluded (extraction, refining, processing, distribution, exposure, etc.). Concerning article 15 and transparency requirements for IORPs, as said previously, we think that SFDR disclosures are of little use for members in the case of pension schemes with compulsory membership and no investment options. With the burden reduction and the simplification agendas in mind, we therefore suggest removing the obligation to provide SFDR precontractual disclosure to the members for a pension product where members are automatically enrolled in. CZ (Comments): CZ: We strongly support the addition of an exclusion for products marketed to professional investors or a potential opt out, as suggested by LU, protection should focus on retail investors. We could also support removal of all obligations under art. 3, as suggested by DK.

Questions	Comments
	DK (Comments): *DK considers the following articles have not yet been covered:* **<u>Article 19b</u>**: **DK does *not* find that the provision is sufficiently clear on empowerment given to the Commission.** According to the Commission's presentation at the February CWP, the Commission intends to develop two sets of voluntary indicators: (1) for calculating and disclosing the 70% contribution threshold, and (2) for the PAI identification and disclosure requirement. Furthermore, the Commission stated at the last CWP that they intend to develop a list of terms allowed in product names, notwithstanding the titles of the categories (Article 7-9). However, none of this is not clear from the text. **DK finds it important to define and limit these mandates** further, as we do not want to risk many pages of level 2 and 3 regulation development, making it difficult for FMPs to adapt their products to the regulation and foresee their legal position. **<u>Social matters:</u>** **DK finds it important to address the social objectives in the operative text and proposes to include an article 2(29) defining social objectives.** DK remarks that social objectives are already today in SFDR 1.0 defined in the operative text in the definition of sustainable investments in Article 2(17) as objectives *"tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities"*. In the Commission's

Questions	Comments
	proposal for SFDR 2.0, there is only a description of social objectives in the non-operative text in Recital 9. While we acknowledge the experience with difficulties arising from agreeing on a definition for social matters, DK underlines the importance of including social objectives in the operative text to equal its status to environmental objectives. More specifically, DK suggests including the wording from recital 9. We believe that this provides the necessary flexibility for FMPs whilst ensuring clarity. **New Article 2(29): "*Social objectives of sustainability related financial products should be understood as including the principles of the European Pillar of Social Rights and the Sustainable Development Goals"*** Additionally, DK suggests to consider using the current wording on social objectives from Article 2(17) (as paraphrased above), as amendment to the description of social objectives in the Commission's proposal to Recital 9. Thereby, adding more guidance on the elements of the social objectives similar to the environmental objectives. *Furthermore, DK considers the following articles have not yet been **properly** addressed and concluded:* **<u>Article 3:</u>** As previously suggested, we propose 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. We find these 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 SFDR 1.0.

Questions	Comments
	<u>Inclusion of portfolio management</u>: Regarding the scope of SFDR 2.0 and the proposal to remove portfolio management, as previously mentioned, we see strong reasons for **keeping credit institutions and investment firms managing *standardized* portfolios within the scope of SFDR 2.0**. Excluding standardized portfolio management from SFDR without amending the level 1 text of MiFIDII would - in our view - result in a lack of disclosure requirements, likely to increase serious greenwashing risks and pose challenges for distributors offering sustainability-related products. Unless we can ensure adequate disclosure requirements in MiFIDII - which would, in our view, require significant amendments likely mirroring SFDR - we believe that product level disclosures should continue to be provided through SFDR, as MiFIDII is not developed as a disclosure regime. We are concerned that insufficient alignment between SFDR and MiFIDII could create regulatory loopholes. We take note of the Commission's reaction that standardized portfolios is not a well-known term in the regulatory sphere, but nevertheless, we believe it would be meaningful to introduce such a distinction – and **only exclude the treatment of portfolios managed on *discretionary* basis**, since these (as services) already match with the MIFIDII-regime and contract law. EL (Comments): EL: No, we have not identified any. IE (Comments): Article 17(1) – Agree in principle, however, the exemption should only apply if the product continues to be closed-ended and does not accept further investment post-revised SFDR. To make this provision clearer, the regulation

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	should explicitly define **"distributed"** as the point when a fund is officially closed to new investors, while clarifying whether "not applying" the regulation means a total exemption or a requirement to maintain **legacy SFDR 1.0** standards. Clarity would also be improved by specifying if **material changes** to a fund's strategy trigger a loss of grandfathered status and by confirming whether the opt-out applies strictly to **product-level disclosures** or extends to the manager's **entity-level** reporting obligations. LU (Comments): **LU**: Additional comment on Article 17 (1): LU is of the view that financial products (AIFs) marketed exclusively to professional investors should benefit from an opt-out allowing disclosures tailored to sophisticated clients, without imposing retail-oriented categorization constraints. SFDR's standardised categorisation and minimum safeguards are primarily designed to enhance comparability and protection for retail investors. Standardised ESG product disclosures provide little added value, while creating unnecessary costs and operational burdens for manufacturers and, ultimately, for investors themselves. Products marketed exclusively to professional investors should be allowed greater flexibility to reflect their investors' preferences in design and disclosures and be able to opt-out of the product categorisation under SFDR. LU invites the other delegations to consider this exemption/opt-out provision. NL (Comments): No comments PT (Comments): N/A.

Questions	Comments
	RO (Comments): We could be open to what other delegations are proposing
3. Do you have a preference for option 1 or option 2?	AT (Comments): For us, it is important that the requirements are not too complex with the aim of reducing complexity for investors to understand the categories and for financial market participants to manage them. Considering the discussion in the CWG and little practical experience for transition products in Austria so far, we have not yet taken a final stance, but a slight preference for Opt. 1. BE (Comments): As a general position, we are in favour of making all concepts as clear and defined as possible. In our view, the alignment with the EU climate law serves as a common understanding of what a 'credible' transition from a climate perspective and should then be maintained in points (c), (d), (e), (g) and (h). We support the inclusion of other legal references covering environmental and social transition definition (in article 7(2)(d), (e), (f), (g) and (h). We are therefore more inclined to support Option 1. With regard to this specific objective of transition, we believe that the strategy should be implemented not only at the portfolio level but mainly at the investees companies level, to avoid cosmetic changes simulating a transition performance. CZ (Comments):

Questions	Comments
	CZ: We prefer Option 1, as for now the second option seems to be too restrictive. DE (Comments): DE In general, we welcome the proposals in the sense that they focus on process-based criteria to be implemented by FMPs which in our view seems to be a good way forward. However, we don't fully understand how the concrete drafting proposals will provide for more clarity regarding the term "credible", as there is essentially no reference to it, so the question on what credible refers to and means still remains unanswered. Additionally, it's unclear what is expected from FMPs. For example, in option 1, what does it concretely mean that "Financial products […] shall be supported by information"? Does this mean an additional disclosure requirement? As we stated earlier, in our view it would be better to discard the term credible as it adds confusion without adding tangible benefits. In our view these process-based requirements should be a part of the due diligence requirements when building a product and selecting investments. With regard to the connection to the EU climate law we would like to reiterate our question: Will investments in areas outside of EU be eligible if they are "Paris aligned" but not aligned with EU climate law, because the trajectory of

Questions	Comments
	those countries is a different one? What are the implications for retail investors that want to invest globally? DK (Comments): DK prefers option 2. Defining "credible" at the end for all strategies provides a simpler approach. DK believes that option 2 solves the issue raised at the last CWP where some MS found difficulties distinguishing between the two intended "credibility"-definitions for respectively FMP's and investee companies. We propose a formal redrafting of the proposed drafting of option 2 in the Presidency Note by beginning with the explanation of general requirements for credible transition plans and science-based targets before introducing the specific requirement regarding climate change mitigation: ***"The credible transition plans and science-based targets referred to in the first subparagraph points (c) and (d) shall be supported by information on the following by undertakings or economic activities: their dedicated governance and resources, initial diagnosis, and strategy and actions to carry out the transition plan or achieve the science-based targets, including regarding implementation, monitoring and adjustment.*** ***Where the financial product aims at meeting a clear and measurable transition towards the climate change mitigation objective, the credible transition plans and science-based targets shall also be compatible with the transition to a sustainable economy and with the limiting of global warming in line with the Paris Agreement and the objective of achieving climate neutrality as established in Regulation (EU) 2021/1119."***

Questions	Comments
	The following subparagraph regarding point (g) could be considered re-drafted and combined with the above, as these both relate to climate change mitigation in line with the Paris Agreement. EE (Comments): Slight preference for option 2 EL (Comments): EL: We prefer Option 2, as in our view it is easier to apply and better aligned with the simplification package. ES (Comments): We have a preference for Option 2. Our main reason is the distinction it draws between requirements applicable to financial market participants on the one hand, and requirements applicable to investees, undertakings and economic activities on the other. We consider that maintaining this distinction in the architecture of Article 7(2) is important for coherence and legal clarity. Using the term "credible" for both sets of approaches — as Option 1 does — blurs that distinction. Option 2 addresses this by removing "credible" from the FMP-facing approaches (points (e), (g) and (h)) and replacing it with direct substantive requirements, while retaining it for the investee-facing approaches (points (c) and (d)). That said, we do not object to the term "credible" as such. It is a well-established concept in the transition context and is already widely used and understood — including in the EU Climate Law, in sustainability reporting frameworks, and in market practice. Our preference for Option 2 is not a critique of the term itself, but a question of architectural coherence: where the obligation falls on the FMP, the standard should be expressed through direct

Questions	Comments
	process requirements rather than a qualitative judgment about the credibility of third-party action. Crucially, we consider that both sets of requirements — whether applicable to FMPs or to investees — should be expressed through process-based principles rather than substantive outcome criteria. Process-based principles are objective-agnostic and do not require prior agreement on specific targets, which makes them applicable regardless of the sustainability dimension pursued. We have submitted proposals to this effect following the February meeting, and consider them a useful reference for both options. One specific drafting concern on Option 2: the paragraph linking financial products to information from investees — referencing the VSME recommendation and the revised ESRS — is currently embedded within the climate block. This could suggest it only applies to products pursuing a climate change mitigation objective. We do not think that is the intention. The information requirements it imposes are relevant for all products relying on points (c) and (d), whatever their sustainability objective. We would suggest detaching that paragraph from the climate block and making it a general requirement for all products using those approaches. FI (Comments): We do not have clear or strong preference between option 1 and 2. The difference between the two options remains somewhat unclear. FR (Comments): We support option 1. It is important to keep “credibility” and define it through process-based principles. Option 2 introduces a significant level of flexibility for transition target set at the portfolio level for products, with other objectives than climate change mitigation.

Questions	Comments
	Moreover, we suggest deleting the investment approach under point (d), which relates to science-based targets, as this approach is significantly weaker than the requirement relating to a credible transition plan. A credible science-based target should be one of the building stone of a credible transition plan, but remains insufficient to appreciate the transition of an undertaking or an economic activity. That is why we strongly favour the direction of option 1 but call to keep open its exact wording at this stage. We would like to share two additional considerations: - First, where possible, we should ensure the consistency and coherence of the EU legislative framework, e.g. take into consideration the draft simplified ESRS where appropriate; - Second, the empowerments granted to the Commission under Article 19b should be further specified. In that respect, please find below drafting suggestions (in **bold**): Article 19b Empowerments The Commission shall ~~**be empowered to**~~ **adopt** a delegated act, **at least 12 months before the entry into force of this regulation,** in accordance with Article 19c, to supplement: (a) paragraphs 1, 2, 3 and 4 of Article 7 to specify: […] (iv) the conditions for investments referred to in paragraph 2 to qualify as **investments in transition or** contributing to **such** transition ~~**related objective**~~**, and in particular:**

Questions	Comments
	1. the criteria for financial market participants to assess whether a transition plan is credible in accordance with point (c), ensuring consistency with the key features of transition plans laid down in the Commission Delegated Regulation (EU) 2023/2772 [*to be adapted to the new CSRD delegated act*]; **2. the conditions financial market participants shall meet when setting transition targets at the level of the portfolio as referred to in point (g), including safeguards ensuring a minimum ambition in setting those targets. Where these targets relate to the objective of climate change mitigation, these conditions shall be consistent with the provisions on targets related to climate change laid down in the Commission Delegated Regulation (EU) 2023/2772 [*to be adapted to the new CSRD delegated act*];** HU (Comments): We recommend Option 1: According to this, Article 7(2), which essentially lists the investment strategies that an investment fund falling under a transition category must apply, would retain/reinforce the term “credible” for every investment approach, and, in the case of claims regarding climate change mitigation, would maintain the obligation to comply with the EU Climate Law. Two types of approaches must be considered here: expectations regarding the credibility of investments, and expectations regarding the credibility of financial market participants’ investment approaches. Proposed addition for Option 1: *Financial products with investments referred to in the first subparagraph points (c) and (d) shall be supported by* ***information on the following by***

Questions	Comments
	undertakings or economic activities: their dedicated governance and resources, initial diagnosis, and strategy and actions to carry out the transition plan or achieve the science-based targets, including regarding implementation, monitoring and adjustment. *Financial products with investments referred to in the first subparagraph points (e), (g) and (h)* ***shall be based on rigorous, formalised and documented methodologies and procedures put in place by the financial market participants****.* A practical definition of the term "credible" would be necessary in the relevant articles or in the preamble. IE (Comments): Option 2 is our preferred approach and we propose drafting suggestions as outlined below to further improve the clarity and flow of the document. General comment – suggest credible is removed from all sub-paragraphs. Paragraph 2(c) alternative suggestion is to include published – to encourage and align with CSRD reporting requirements (including VSME) (c) investments in undertakings or economic activities with a **published** ~~credible~~ transition plan as regards at least one sustainability factor at the level of the undertaking or at activity level respectively, proportionate to the size of the undertaking; (d) investments in undertakings or economic activities with ~~credible~~ science-based targets that are supported by information ensuring integrity, transparency and accountability; Where the financial product **targets** ~~aims at meeting~~ a clear and measurable transition towards the climate change mitigation objective, the ~~**credible**~~

Questions	Comments
	transition plans **and** science-based targets referred to in the first subparagraph points (c) **and (d),** shall be compatible with the transition to a sustainable economy and with the limiting of global warming in line with the Paris Agreement and the objective of achieving climate neutrality as established in Regulation (EU) 2021/1119. **It shall also be supported by information on ~~the following by undertakings or economic activities~~: their dedicated governance and resources, ~~initial diagnosis,~~ and strategy ~~and actions~~ to carry out the transition plan or achieve the science-based targets, including ~~regarding~~ implementation, monitoring and adjustment actions.** **Where the financial product sets a transition target as referred to in the first subparagraph point (g) in relation to the objective of climate change mitigation, such target shall be compatible with the transition to a sustainable economy and with the limiting of global warming in line with the Paris Agreement and the objective of achieving climate neutrality as established in Regulation (EU) 2021/119.** **Where the financial product pursues a sustainability-related engagement strategy, transition target set at the level of the portfolio, or other contribution to the transition referred to in the first subparagraph points (e), (g) and (h), these shall be based on ~~rigorous,~~ formalised and documented methodologies and procedures put in place by the financial market participants.** IT (Comments): While it is considered essential to anchor the concept of "credible" to the objectives and criteria set out in the EU Climate Law, for "use of proceeds" products (green or sustainable) it also appears necessary to take into account, as complementary elements in the assessment of credibility, internationally

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	recognized standards — such as those developed by ICMA, the Climate Bonds Initiative, and similar frameworks — which already constitute well-established market references today. We express our preference for Option 1, as the concept of credibility strengthens the applicable requirements and ensures a higher degree of robustness. Nevertheless, with regard to point (g), we recommend incorporating into the final drafting the following paragraph under Option 2: "*Where the financial product sets a transition target as referred to in the first subparagraph point (g) in relation to the objective of climate change mitigation, such target shall be compatible with the transition to a sustainable economy and with the limiting of global warming in line with the Paris Agreement and the objective of achieving climate neutrality as established in Regulation (EU) 2021/119*." LT (Comments): Option 2 could be considered a more proportionate and clearer approach, as it contains the "credible" requirement where it is most relevant: at the level of undertakings or economic activities while applying clear process-based requirements, such as methodologies and procedures to financial market participants. This approach allows for a clearer allocation of responsibilities between investee undertakings and investors, reduces unnecessary administrative burden for financial market participants but at the same time maintains appropriate safeguards against greenwashing. Furthermore, it helps preserve flexibility for transition finance, which is important for supporting investments in companies that are not yet fully sustainable but are progressing towards more sustainable business models. LU (Comments): **LU**: Scrutiny reserve. LU has a slight preference for Option 1. Further clarity is needed around the meaning of the process based-principle.

Questions	Comments
	NL (Comments): The Netherlands support option 1 for the reasons below. Since the SFDR is a voluntary regime for those that claim sustainability, one of the main goals of SFDR should be to prevent greenwashing and incentivize investments that are genuinely green or moving from more polluting to more green. This is especially important in the transition category, as we risk creating a product category for activities that are 'not very green, but not very polluting either' rather than activities that genuinely move from more polluting to more green. Given the fact that option 1 might give greater certainty to investors and many companies in practice already make transition plans as part of CSRD/ESRS or ISSB requirements, we believe it seems appropriate to at least add a requirement (such as 'credible') to the transition plans. More specific regarding option one: - Requiring 'credible' transition approaches from both the investee companies and financial market participants (FMPs) ensures that both the underlying companies and the funds themselves actively contribute to genuine transition towards sustainability. By requiring documented methodologies, formalised procedures, and evidence of governance and resources at both the investment and fund management levels, option 1 creates a higher barrier against surface-level claims and portfolio-level 'tilting'. - Furthermore, option 1 is in line with the goals outlined in the SFDR review to strengthen trust in sustainable finance by ensuring harmonisation, comparability, and scientific credibility of sustainability claims. It more effectively addresses the risk that financial products might be labelled as 'transition' based only on procedural box-ticking or superficial engagement, without delivering tangible progress toward climate enhancing policies or neutrality.

Questions	Comments
	Regarding option 2, we see two risks in particular: - First, removing the requirement for engagement strategies to be 'credible' may lower the bar for what these engagement strategies should achieve. We have some concerns over this given that there is already a large patchwork of engagement strategies in the market, and it's not always clear what concrete results these achieve. - Second, applying the reference to the EU Climate Law at the portfolio level only, may facilitate (as earlier mentioned) tilting strategies in which products comply with the transition category simply by changing the relative weight of greener versus more polluting assets within the product over time. Tilting is, to a large degree, only a cosmetic change, and does not incentivize real world emissions reductions. PL (Comments): PL: We don't have strong preferences but preliminary Option 1. PT (Comments): Given the options, we prefer option 2 with a view of removing the concept of 'credible' from the majority of investments eligible for the transition portfolio and clarifying in the text of the law what is expected of these investments. We would also like to state that we are not entirely sure we understand the scope of Option 1 and would appreciate further clarification, namely on the 'preamble' of Option 1 regarding the proportionality criterion: • *"The distinction is premised on what could reasonably be expected as proportionate requirements:*

Questions	Comments
	○ *from investees including under the VSME recommendation and the emerging revised ESRS2, and without going too far in terms of criteria which could undermine their eligibility for products in the category.* ○ *from FMPs to ensure their due diligence under these approaches is based on appropriate steps to ensure ambition, transparency and accountability, and without going too far in terms of introducing requirements which could be at odds with the recently agreed Omnibus I3 as regards due diligence by financial undertakings.* RO (Comments): We are still assessing, but we are leaning towards Option 1 SI (Comments): We have a preference for Option 1, as it ensures broader applicability across investment approaches while maintaining alignment with EU Climate Law objectives. SK (Comments): We have a small preference for option B, but we welcome clarification made by both options.
4. Do you have any other drafting suggestions to specify 'credible'?	BE (Comments): For article 7, we see merit in making reference to the ESRS when defining a credible transition plan for investee companies, given that reporting companies are already subject to disclosure requirements concerning the ambition of their transition plans. We believe some references to the European Commission

Questions	Comments
	Recommendation (EU) 2023/1425 of 27 June 2023 on facilitating finance for the transition to a sustainable economy could enhance clarity and understanding by FMPs and provide practical examples. CZ (Comments): CZ: We are satisfied with the drafting proposed by the Presidency. Based on the discussion, we are not against the way forward proposed by the Commission to include two definitions – one for companies and one for FMPs. DK (Comments): - EL (Comments): EL: No specific drafting suggestions. The term "credible" is indeed too vague and subjective, as is. ES (Comments): On the definition of "credible" for investment approaches under points (c) and (d), we submitted process-based principles in writing after the February meeting which we consider remain a useful basis for discussion. In our view, "credible" for those points should be anchored in a set of principles applicable across sustainability objectives, which could include: - a time-bound pathway with interim milestones; - appropriate governance and accountability at investee level; - alignment with well-established transition or sustainability trajectories; and - ongoing monitoring and public disclosure of progress.

Questions	Comments
	These principles are broadly consistent with what is proposed under both options and could serve as their interpretative reference at Level 1. FI (Comments): The logic behind option 1 and 2 seems to be clear, as the character of credibility is two-fold. 1) The investee must be able to demonstrate credibility and 2) FMP must have processes to ascertain the credibility of transition plan / other elements that require credibility. We note that it is crucial that the FMP's assertion of the credibility of investee is not one-time event at the moment of investment decision. On the contrary FMP should continuously and on a on-going basis monitor the fulfilment of credibility. Preliminarily we do not support changing the word credible into another similar word such as "robust". This would only create similar ambiguity problems with the new terminology. FR (Comments): We are currently conducting dedicated consultations on the credibility of transition plans. We intend to provide detailed drafting suggestions by a future CWP. - A preliminary concern from our industry is the implementation of credibility in the long run, and how to deal with investees that deviate from their transition trajectory. - We think the notion of "credible transition plan" needs to be analysed more thoroughly. IE

Questions	Comments
	(Comments): No IT (Comments): See comment to Q3. LT (Comments): We would support keeping "credible" framed through minimum process-based elements (rather than an exhaustive list), to avoid overly rigid Level 1 drafting. Where helpful, references to existing EU-level guidance or frameworks could be used to strengthen consistency, while leaving technical detail to Level 2/guidance. LU (Comments): **LU**: On the meaning of a "credible sustainability related engagement strategy": LU notes that the Shareholders Rights Directive (SRD II) already aims to promote long-term shareholder engagement in EU-listed companies, including engagement on environmental and social matters. Aligning SFDR's definition with the upcoming SRD II revision is essential for coherence across EU sustainable finance regulation. NL (Comments): No comments PL (Comments): PL: Below, we propose modifications to the second subparagraph of Article 7(2) for both options.

Questions	Comments
	OPTION 1: - 'Credible' is retained for all investment approaches under points (c), (d), (e), (g) and (h) and maintains the obligation of alignment with the EU Climate Law in case of climate change mitigation claims. - 'Credible' is further defined differently through process-based principles for: o expectations on investees/undertakings/economic activities under points (c) and (d). o expectations on FMPs under points (e), (g) and (h). - The distinction is premised on what could reasonably be expected as proportionate requirements: o from investees including under the VSME recommendation and the emerging revised ESRS , and without going too far in terms of criteria which could undermine their eligibility for products in the category. o from FMPs to ensure their due diligence under these approaches is based on appropriate steps to ensure ambition, transparency and accountability, and without going too far in terms of introducing requirements which could be at odds with the recently agreed Omnibus I as regards due diligence by financial undertakings. Possible drafting: 2. Investments by financial products as referred to in paragraph 1, first subparagraph, point (a), shall include any of the following: a) investments in portfolios replicating or managed in reference to an EU climate transition benchmark or EU Paris-aligned benchmark ('EU climate benchmarks'); b) investments in taxonomy-aligned economic activities as defined in Article 1, point (2), of Commission Delegated Regulation (EU) 2021/2178, including: (i) transitional economic activities as referred to in Article 10(2) of Regulation (EU) 2020/852;

Questions	Comments
	(ii) taxonomy-eligible economic activities becoming taxonomy-aligned in accordance with point (b) of the first sub-paragraph of Section 1.1.2.2. of Annex I of Delegated Regulation (EU) 2021/2178; c) investments in undertakings or economic activities with a credible transition plan as regards at least one sustainability factor at the level of the undertaking or at activity level respectively, proportionate to the size of the undertaking; d) investments in undertakings or economic activities with credible science-based targets that are supported by information ensuring integrity, transparency and accountability; e) investments accompanied with a credible sustainability-related engagement strategy, targeting specific changes with defined milestones and measured with reference to those targets and milestones, and integrating escalation actions in case the expected changes do not happen, in combination with any of those referred to in points (a) to (d) or (h); f) investments pursuant to Article 9(2) in combination with any of those referred to in points (a) to (e); g) investments with a credible transition target set at the level of the portfolio, such as reduction of portfolio emissions over time; h) other investments in undertakings, economic activities or other assets that credibly contribute to the transition provided proper justification is included in the disclosures required pursuant to paragraph 3. Where the financial product aims at meeting a clear and measurable transition towards the climate change mitigation objective, the credible transition plans, credible science-based targets and the credible sustainability-related engagement strategy referred to in the first subparagraph respectively in points (c) to (e), the credible transition target set at the level of the portfolio referred to in ~~letter~~ point (g) and the credible contribution referred to in ~~letter~~ point (h), shall be compatible with the transition to a sustainable economy and with the limiting of global warming in line with the Paris Agreement and the objective of achieving climate neutrality as established in Regulation (EU) 2021/1119.

Questions	Comments
	Financial products with investments referred to in the first subparagraph points (c) and (d) shall also be supported by information on the following by undertakings or economic activities: their dedicated governance and resources, initial diagnosis, and strategy and actions to carry out the transition plan or achieve the science-based targets, including regarding implementation, monitoring and adjustment. Financial products with investments referred to in the first subparagraph points (e), (g) and (h) shall be based on rigorous, formalised and documented methodologies and procedures put in place by the financial market participants. OPTION 2: - 'Credible' is retained only for investment approaches referring to expectations on undertakings (points (c) and (d)) and further defined by the same process-based principles as under option 1 above; - 'Credible' is removed for investment approaches referring to expectations for FMPs (points (e), (g) and (h)), and replaced by the same requirements as under option 1 above; - The requirement to be aligned with the EU Climate Law is retained for the portfolio level target with regards to ~~letter~~ point (g). Possible drafting: 2. Investments by financial products as referred to in paragraph 1, first subparagraph, point (a), shall include any of the following: a) investments in portfolios replicating or managed in reference to an EU climate transition benchmark or EU Paris-aligned benchmark ('EU climate benchmarks'); b) investments in taxonomy-aligned economic activities as defined in Article 1, point (2), of Commission Delegated Regulation (EU) 2021/2178, including: (i) transitional economic activities as referred to in Article 10(2) of Regulation (EU) 2020/852;

Questions	Comments
	(ii) taxonomy-eligible economic activities becoming taxonomy-aligned in accordance with point (b) of the first sub-paragraph of Section 1.1.2.2. of Annex I of Delegated Regulation (EU) 2021/2178. c) investments in undertakings or economic activities with a credible transition plan as regards at least one sustainability factor at the level of the undertaking or at activity level respectively, proportionate to the size of the undertaking; d) investments in undertakings or economic activities with credible science-based targets that are supported by information ensuring integrity, transparency and accountability; e) investments accompanied with a credible sustainability-related engagement strategy, targeting specific changes with defined milestones and measured with reference to those targets and milestones, and integrating escalation actions in case the expected changes do not happen, in combination with any of those referred to in points (a) to (d) or (h); f) investments pursuant to Article 9(2) in combination with any of those referred to in points (a) to (e); g) investments with a credible transition target set at the level of the portfolio; h) other investments in undertakings, economic activities or other assets that credible contribute to the transition provided proper justification is included in the disclosures required pursuant to paragraph 3. Where the financial product aims at meeting a clear and measurable transition towards the climate change mitigation objective, the credible transition plans and credible science-based targets referred to in the first subparagraph respectively in points (c) and (d), shall be compatible with the transition to a sustainable economy and with the limiting of global warming in line with the Paris Agreement and the objective of achieving climate neutrality as established in Regulation (EU) 2021/1119. It shall also be supported by information on the following by undertakings or economic activities: their dedicated governance

Questions	Comments
	and resources, initial diagnosis, and strategy and actions to carry out the transition plan or achieve the science-based targets, including regarding implementation, monitoring and adjustment. Where the financial product sets a transition target as referred to in the first subparagraph point (g) in relation to the objective of climate change mitigation, such target shall be compatible with the transition to a sustainable economy and with the limiting of global warming in line with the Paris Agreement and the objective of achieving climate neutrality as established in Regulation (EU) 2021/1119. [PL: The second paragraph in Option 1 in the marked part of the text also included point (e) which was missing in Option 2. Is this intentional?] Where the financial product pursues a sustainability-related engagement strategy, transition target set at the level of the portfolio, or other contribution to the transition referred to in the first subparagraph points (e), (g) and (h), these shall be based on rigorous, formalised and documented methodologies and procedures put in place by the financial market participants. PT (Comments): N/A RO (Comments): No suggestion on redrafting credible, maybe we will revert in writing at later stage SI (Comments): We support further clarification of "credible transition", including minimum requirements such as measurable targets, time-bound milestones, and regular monitoring.

Questions	Comments
5. Do you support adding a numerical threshold (20% or another figure) to remove worst performers in the investment universe or reference benchmark?	AT (Comments): No, for the time being we are skeptical about this proposal. BE (Comments): As a principle, we support all measures aimed at preventing greenwashing in market practices and upraising the ambition level of the ESG basics category. Where it can be demonstrated that the introduction of a numerical threshold would help make the category more selective, we could be in favour of such an addition. However, since the PAB/CTB benchmarks are already considered as ambitious, in order to allow financial products replicating passively such a benchmark, we suggest to limit the numerical threshold to other investments strategies. CZ (Comments): CZ: We do not support such inclusion. DE (Comments): DE We generally support options that will lead to tangible improvements to the ESG Basics. We think this could be a way to go forward, however we do not yet understand how this will work in practice and how much effort it will require by FMPs. DK (Comments):

Questions	Comments
	No, as previously mentioned, DK does not believe that the suggested 20% threshold for worst performers solves the issue that an investment may qualify for the category simply by performing "better" than other investments in the FMP's investments universe or compared to a "randomly" picked benchmark. EE (Comments): More information needed on the exact calculation of 20% and possible impact. EL (Comments): EL: We have concerns regarding the introduction of a fixed numerical threshold to exclude the worst-performing entities from the investment universe or reference benchmark. While such an approach could enhance comparability and reduce greenwashing risks, a rigid threshold (e.g. 20%) may not be appropriate across all sectors and could lead to unintended consequences. In particular, such thresholds may be more suitable for public assets, whereas flexibility should be maintained for private and real assets, where comparability and data availability remain more limited. The framework should remain proportionate to ensure practical implementation for financial market participants. ES (Comments): We do not support adding a numerical threshold for worst-performer exclusion. Our concern is that such a prescriptive quantitative layer would add operational complexity without a commensurate gain in sustainability ambition. The ESG basics category is designed as the entry point of the framework, and we prefer to raise its bar through calibrated exclusions — we refer to our comments under Q16 in this regard. FR (Comments):

Questions	Comments
	We support a numerical threshold set at 20% at the date of the SFDR 2 enforcement, with a clear trajectory for its gradual increase over time, for instance towards 30% HU (Comments): The proposal to introduce a threshold for excluding the worst-performing assets is worthy of support. IE (Comments): No, we consider that this would increase complexity. IT (Comments): We consider it appropriate to support the need to strengthen the criteria applicable to the Article 8 category, in order to prevent products with a low sustainability profile from being presented as ESG. From this perspective, we express a favorable position—by way of example—towards the introduction of a numerical threshold, such as 20%, to delimit the investment universe. However, in our view, the comparative universe/benchmark could also be generalist in nature and not necessarily characterised by ESG features. At the same time, we would like to reiterate that, from a sovereign issuer's perspective, we consider it essential that general-purpose government bonds be eligible for inclusion in the numerator of "ESG basic" category products, where supported by "*credible methodologies for assessing compliance with ESG factors*". Such methodologies should adopt a multifactor approach, not limited to ESG ratings alone, but based on a structured set of elements such as: • the existence of an eco-budget or gender budgeting framework;

Questions	Comments
	• the presence of a stable and credible green and/or sustainable issuance program over time, and not necessarily limited to the EU Green Bond Standard (EUGB), but also open to the other recognized international standards (ICMA, CBI, etc.); • the existence of national policy documents demonstrating the country's commitment to ESG objectives (e.g., national sustainable development strategies, national energy and climate plans, national plans for adaptation to climate change, etc.). In this way, it is possible to recognize not only efforts already made in the past—which are now reflected in a potentially high ESG rating—but also the commitment currently underway, as evidenced by the policies adopted, the institutional framework, and the resources allocated, including in the case of countries characterized by a more modest initial ESG rating. LT (Comments): We see the rationale for introducing a safeguard to reduce cherry-picking risk. However, we have concerns that a fixed numerical threshold (such as removing the worst-performing 20%) could unintentionally shift the ESG Basics category away from its intended "baseline" nature and turn it into a higher-tier ESG label. We would also flag practical feasibility issues: it is not clear how "worst performers" would be defined and calculated consistently across different asset classes and strategies (including diversified portfolios and areas where data coverage and comparability remain challenging). Without a clear methodology (data sources, reference universe, treatment of mixed/indirect exposures), such a threshold could add uncertainty and inconsistent supervisory application. Therefore, we would be cautious about fixing a specific percentage at Level 1. If a numerical threshold is pursued, it should be supported by a clear, workable methodology and proportionate implementation (potentially at Level 2), to

Questions	Comments
	ensure consistency and avoid unintended consequences for mainstream products. LU (Comments): **LU**: We are still assessing this proposal in detail, bearing in mind that this provision could be operationally complex and represent additional burdens for financial market particpants. NL (Comments): We are open to the idea of raising the level of ambition and ensuring that FMPs cannot cherry-pick. At the same time, we believe it is important to not overcomplicate its implementation by the market. With regards to adding a numerical threshold (such as 20%) we are seeking to understand what this would mean for the product category's ambition level, including for financial market participants that have substantial amounts of sovereign bonds in their portfolio. In addition, we have questions on how this is to be executed by and implemented in the market. Without clearly defined criteria for 'worst performer', this might allow some form of cherry-picking as well. PT (Comments): We understand that introducing a fixed numerical threshold (e.g., excluding the worst 20% of the investment universe) could strengthen the integrity of the category by reducing the risk that financial market participants qualify products simply by comparing them to a weak or poorly constructed benchmark. The concern about "cherry-picking" a low-quality investment universe is valid. A minimum exclusion threshold would create a clear and easily verifiable standard, helping supervisors and investors understand what constitutes a minimum ESG improvement relative to the broader market. However, a strict quantitative threshold may also create unintended rigidity. Investment universes

Questions	Comments
	differ significantly across asset classes, sectors, and geographies, and a uniform 20% exclusion rule may not be appropriate in all cases (for example, in sectors undergoing transition or in smaller markets with limited ESG data coverage, such a rule could distort portfolio construction or artificially constrain investment choices). A more proportionate approach would therefore be to define the principle at Level 1 while specifying the methodology at Level 2, allowing for differentiated treatment depending on the benchmark, asset class, or data availability. RO (Comments): We could be open to this approach. SI (Comments): We support the introduction of minimum requirements to enhance comparability, while preserving sufficient flexibility to reflect different investment strategies. SK (Comments): We do not support adding a numerical threshold to remove worst performers.
6. Do you support specifying that the comparative universe/benchmark should have an ESG character?	AT (Comments): A further specification of the comparative universe (at least in the recital) would be helpful. However, the rationale for assigning an ESG character to the comparison universe is not understandable, since an outperformance would not be possible BE (Comments):

Questions	Comments
	We support the inclusion of a specific ESG dimension in the comparative universe or benchmark. In our view, not imposing such ESG element will open the door to general, not ESG consistent, market practices, and is not coherent with the objective of positive contribution. CZ (Comments): CZ: How would this work exactly? If outperforming comparative universe is a prerequisite for falling under ESG basics category, inevitably, some products within the universe will fall outside this category – how will then the ESG character of the universe be ensured? We find this solution to be too complex with little added value. DE (Comments): DE Would that not mean that an ESG-Basics product would have to outperform an already ESG investment? This is not what we understand under an ESG-Basics category. DK (Comments): No. Additional wording might raise new interpretation challenges, thus creating a need for the definition of an 'ESG benchmark'. EL (Comments): EL: We could support specifying that the comparative universe/ benchmark should have an ESG character.

Questions	Comments
	ES (Comments): We do not support requiring the comparative universe or benchmark to have a mandatory ESG character. This would add a prescriptive layer that risks making the category operationally complex. We prefer a different approach to raising the ambition of the ESG basics category — see our comments under Q16. FI (Comments): Yes, comparative universe/benchmark should have some kind of ESG characteristic in order to minimize the risk of greenwashing. FR (Comments): Our preliminary feedback is that we do not support specifying that the comparative universe/benchmark should have an ESG character. Considering the limited number of ESG benchmarks and universes, finding one that reflects the fund strategy can be a struggle and results to irrelevant comparisons between the fund performance and the selected benchmark, or limited pool of investees. At this stage we support the possibility for the FMP to choose between ESG or no ESG universe/ benchmarks HU (Comments): No, we do not support it. If the benchmark is not limited to ESG criteria, the fund can also demonstrate that “green” investments may yield higher returns than non-“green” investments. IE (Comments):

Questions	Comments
	No, we consider that this would increase complexity. IT (Comments): See comment to Q5. LT (Comments): We support the intention to ensure that any comparison against a reference universe/benchmark is meaningful and not based on an undemanding benchmark. At the same time, this should be applied proportionately and only where the ESG Basics approach actually relies on a benchmark/universe comparison, recognising that suitable ESG reference benchmarks and consistent data may not be available across all asset classes. LU (Comments): **LU**: See our comment in Question 5. NL (Comments): When it comes to the investment universe, we share the goal of preventing the referencing of relatively poor performing investment universes in order to fall into the ESG Basics category. However, we would have some questions regarding introducing a reference point that itself is already ESG. How could one qualify for the ESG basics category, if it is compared to ESG products? This may set the bar too high for this product category. PL (Comments): PL: Category ESG basic was designed to be less ambitious than the category sustainable. Some of the proposed modifications may be too demanding

Questions	Comments
	therefore the stronger requirements may reduce the supply of such products and increase the costs of product development. Therefore we have concerns regarding the increase of requirements. PT (Comments): Yes, we support specifying that the comparative universe or benchmark should have an ESG character. RO (Comments): No strong opinion, we can also be open. SI (Comments): It is not necessary for the benchmark to be ESG — but it must be clear what it is. SK (Comments): We do not support specifying that the comparative universe should have an ESG character.
7. Do you support requiring outperformance to be in relation to two (or more) indicators in Article 8(2)(b)?	AT (Comments): We would be open to considering more than one indicator to demonstrate outperformance. BE (Comments): As long as the universe or the reference benchmark has not been further defined in terms of its ESG characteristics, we support including more than one indicator to measure the ESG performance of the financial product.

Questions	Comments
	BG (Comments): **BG**: We prefer to stick to Commission's proposal which allows to outperform only one sustainability indicator. We do not see merit in restricting the category by an obligation to outperform at least 2 indicators. Otherwise in our view products which are currently in the scope of Art. 8 of SFDR could be left out of the scope of this category. CZ (Comments): CZ: We see no clear advantages to this approach. DE (Comments): DE See Q 5. Additionally, it should be designed in a sensible way. Choosing two indicators that entail the same information and are therefore highly corelated would not lead to an improvement. Mandating choosing two indicators from different sustainability realms (e.g. environment and social) would mean a big influence on product design. Additionally, some indicators (e.g. internal ESG-scores) already build on multiple inputs. DK (Comments): - EL (Comments):

Questions	Comments
	EL: We have concerns regarding requiring outperformance to be assessed against two or more sustainability indicators. Such a requirement may introduce additional complexity and challenges related to data availability and comparability across sectors. In particular, it may be more appropriate for public assets, whereas flexibility should be maintained for private and real assets. The approach should therefore remain proportionate. ES (Comments): We do not support extending the outperformance requirement to two or more sustainability indicators. This would introduce an additional quantitative layer that could impede usability without meaningfully increasing sustainability ambition in this category. FI (Comments): Outperformance in relation to two (or more) indicators might reduce the risk of greenwashing. FR (Comments): We strongly support. We think outperforming on a single indicator is very easy and would suggest requiring outperformance on at least two indicators. HU (Comments): Exceeding the target, or at least meeting the average, is eligible for support in funds where the objective is for investments to outperform the average of the investable portfolio or the benchmark in terms of a specific sustainability indicator. IE (Comments):

Questions	Comments
	No, we consider that this would increase complexity IT (Comments): We do not agree with the proposed amendment, as we deem the assessment based on a single indicator is sufficient. Requiring two or more indicators could penalise funds whose investment policy is highly targeted towards a specific objective, such as, by way of example, those focusing on the sustainable use and protection of water and marine resources. See also comment to Q5. LT (Comments): We see merit in strengthening the requirement for outperformance, as relying on a single indicator could allow overly narrow interpretations. Requiring performance to be assessed against more than one sustainability indicator could improve robustness, provided that the approach remains proportionate and operationally feasible. LU (Comments): **LU**: See our comment in Question 5. NL (Comments): We can in principle see merit in requiring outperformance in relation to more than one criterion, as this may contribute to greater robustness. At the same time, it is important that any such measure is designed in a way that takes into account proportionality, particularly regarding the possible impact on smaller or more specialised funds. PL

Questions	Comments
	(Comments): PL: No strong opinion about Q7 and Q8 but the proposal appears worth considering. Otherwise, in order to classify a product as belonging to the "ESG Basics" category, it could be sufficient to apply one of the more broadly formulated approaches indicated in Article 8(2), for example in points (c) or (e), provided that they cover 70% of the portfolio. In practice, this would mean that a fund could rely on a criterion that leaves considerable room for interpretation, which would make it easier to classify relatively standard investment products as ESG products. The categories indicated in Article 8(2) of the draft remain relatively broadly formulated, which creates a risk of repeating the problems observed under the current Article 8 of SFDR. In particular, there is a risk that these criteria could be applied in a very flexible manner, allowing products with limited environmental or social ambition to be presented as ESG products. This concerns especially social aspects, where it is quite easy to adopt additional policies or procedures that in practice do not lead to significant changes, while at the same time allowing the investment to be presented as socially responsible. Regardless of the approach adopted, it is important to ensure a high level of transparency for all categories indicated in Article 8(2). Where the criteria are based on ratings or indicators, they should be publicly available together with the methodology used to establish them. It is also crucial to clearly define the reference point, that is, to indicate the comparison group against which a given investment is assessed PT (Comments): As mentioned before, investment universes differ significantly across asset classes, sectors, and geographies, as such, we prefer to keep flexibility with the reference to the outperformance of only one indicator. That is, we prefer to keep Article 8(2)(b) as is.

Questions	Comments
	RO (Comments): No strong opinion. SK (Comments): We do not support the adjustment of Art. 8 (2) (b).
8. Do you support requiring that eligible investment approaches under Article 8(2) are cumulative, not alternative (i.e. change to 'shall include a combination of two or more of the following' in the introductory wording)?	AT (Comments): Minimum criteria are necessary also for the "ESG basics" category, to strengthen trust in ESG designations. While we are not convinced that a cumulative requirement is necessary, it could be considered to introduce a maximum exposure falling under lit. (e) to avoid misuse of the flexibility of the catch-all element in order to prevent greenwashing. BE (Comments): As mentioned previously, with a view to adequately capturing passive financial products that replicate a reference benchmark, we believe that the wording should remain "any or a combination of the following". In our view, it will be better to list ambitious (enough) strategies than impose a bundle of them, since it may result in more complexity and not a risen level of ambition. BG (Comments): **BG**: We prefer to stick to Commission's proposal which allows the investment approaches to be cumulative but also allows to follow only 1 of the approaches. We do not see merit in restricting the category by an obligation for combining at least 2 approaches.

Questions	Comments
	CZ (Comments): CZ: We support the current wording. DE (Comments): DE No. DK (Comments): - EE (Comments): We would be sceptical towards it. EL (Comments): EL: We have concerns regarding requiring eligible investment approaches under Article 8 (2) to be cumulative rather than alternative. Such a requirement may reduce flexibility for financial market participants and limit the ability to reflect different investment strategies, in particularly for private and real assets. The approach should therefore remain proportionate and allow for sufficient flexibility. ES (Comments): We do not support making the investment approaches under Article 8(2) cumulative rather than alternative. The ESG basics category is designed to accommodate a range of sustainability approaches, and a mandatory

Questions	Comments
	combination requirement would unduly restrict product design without achieving a proportionate gain in ambition. FR (Comments): We do not support. We would rather strengthen each of the criteria. HU (Comments): Yes, we support the proposal. IE (Comments): No, we consider that this would increase complexity IT (Comments): We do not agree with the proposal to apply the cumulative requirements for eligible investments for the reasons stated in in relation to Q7. See also comment to Q5. LT (Comments): We do not support making the eligible approaches cumulative ("a combination of two or more") as a general rule. This would risk turning the ESG Basics category into a higher-tier ESG label and could exclude legitimate strategies that rely on a single, well-defined approach (for example, a clear best-in-class selection method, or a structured engagement approach), even where that approach is applied consistently and transparently. Requiring cumulation would also reduce flexibility for diversified mainstream products and may create unnecessary complexity for both market participants and supervisors, especially where approaches overlap in practice and are not

Questions	Comments
	always clearly separable. A more workable way to strengthen ESG Basics is to keep approaches alternative, while ensuring that whichever approach is used is described clearly, applied consistently over time, and supported by adequate evidence to prevent purely narrative claims. NL (Comments): With regards to the cumulative approach, the Netherlands understands the rationale behind this approach. Nevertheless, we would like to ask the presidency what the implications are for FMPs, since it seems to give them less flexibility in choosing an approach, which strikes us as somewhat counterintuitive. Combining investment approaches might not always be possible for financial market participants. In that regard the Netherlands does not support this yet. PL (Comments): PL: As above. PT (Comments): We fail to see the advantages of a cumulative approach. RO (Comments): We agree that the phrase “shall include combination of two or more of the following” is the appropriate wording. SI (Comments): Alternative.

Questions	Comments
	SK (Comments): We do not support the idea of cumulative criteria.
9. Do you support deleting Article 8(2)(c) or alternatively merging it as a qualifier into point (e) (e.g. 'other investments integrating sustainability factors beyond the consideration of sustainability risks and that favour undertakings or economic activities with a proven positive track record in terms of processes, performance or outcomes related to sustainability factors, provided proper justification is included in the disclosures required pursuant to paragraph 3')?	AT (Comments): We support merging Art 8(2)(c) with point (e). BE (Comments): Given the absence of a clear definition of what constitutes a "proven positive track record", we are in favour of deleting point (c) of the second paragraph of Article 8. CZ (Comments): CZ: We are not against removal as we understand the fears mentioned at the last CWP. DE (Comments): DE No strong views. DK (Comments): - EL

Questions	Comments
	(Comments): EL: We support deleting Article 8(2) (c), as it is rather vague and not measurable. Clear disclosure requirements would further support transparency and accountability. ES (Comments): We support merging Article 8(2)(c) as a qualifier into point (e) along the lines suggested by the Presidency. As currently drafted, point (c) is open-ended and risks being used as a catch-all that dilutes the overall coherence of the category. Folding it into point (e) with the additional qualifier on proven positive track record would tighten the standard while preserving appropriate flexibility. FR (Comments): We are open to either delete it or merge it with criteria (e). HU (Comments): Yes, we support the merging of the two points. IE (Comments): We support merging it as a qualifier into point (e) IT (Comments): We support merging Article 8(2)(c) as a qualifying element into point (e). LT (Comments):

Questions	Comments
	We see an advantage in improving the clarity of Article 8(2)(c) as the current wording may leave room for broad interpretation. Merging it with point (e) as a qualifier or further clarifying the provision could help improve consistency and reduce potential overlaps. LU (Comments): **LU**: We are in favour of merging Article 8(2)(c) as a qualifier into point (e). The eligible strategies listed should not result in this category becoming "a catch-all", which has been an issue for products with environmental or social characteristics (referred to as "Article 8" products) in the current SFDR framework. NL (Comments): We would like to receive further clarification on the merit of this adjustment before deciding on a position. In particular, this seems to give financial market participants less flexibility in choosing an approach, since they cannot choose for investments in companies with a proven sustainable track record, which strikes us as somewhat counterintuitive. However, we also believe that article 8(2)(c) might be somewhat vague, which would be a reason to either merge the two or delete (c). We therefore have not decided a final position yet. PL (Comments): PL: In principle, we support the deletion of point (c) in Article 8(2). The criteria referring to "investments that favour undertakings or economic activities with a proven positive track record in terms of processes, performance or outcomes related to sustainability factors" remain unclear and risk being overly broad in practical application. This creates challenges similar to those observed under the current Article 8 SFDR, where general references to a "connection with sustainability factors" are difficult for investors to

Questions	Comments
	verify. Such difficulties may stem from reliance on internal methodologies, non-public third-party assessments, or insufficient transparency regarding evaluation criteria, ultimately limiting the end investor's ability to assess whether declared sustainability characteristics are genuinely reflected in investment practices. At the same time, we do not see sufficient justification for retaining this criterion through its proposed merger with point (e), as such a change does not materially improve clarity or applicability. Furthermore, Article 8(3) does not appear to provide a clear or direct basis for justifying the elements referred to in Article 8(2), nor are we convinced that such justification can be adequately derived from the description of the applicable choice and relative share of investments under Article 8(3)(c)(i). Importantly, maintaining the "positive track record" requirement could inadvertently exclude undertakings focused on transition, which does not seem aligned with the broader objectives of the SFDR. PT (Comments): We can support merging Article 8(2)(c) as a qualifier into point (e) (e.g. 'other investments integrating sustainability factors beyond the consideration of sustainability risks and that favour undertakings or economic activities with a proven positive track record in terms of processes, performance or outcomes related to sustainability factors, provided proper justification is included in the disclosures required pursuant to paragraph 3'). As mentioned before, the wording of Article 8(2)(e), as it currently stands, appear to be formulated in very broad terms. In its current format, it may not provide sufficient clarity to Financial Market Participants as to whether a given investment or strategy falls within the scope of a specific category. As such, the merging of these 2 points (c and e) might correct this. RO (Comments):

Questions	Comments
	We support merging Article 8(2)(c) into point (e) rather than deleting it. Merging the provisions would improve clarity and consistency, while still preserving the substance of Article 8(2)(c). It would help create a more streamlined framework by consolidating similar concepts under a single category of "other investments integrating sustainability factors." Including a qualifier—such as requiring a proven positive track record in sustainability performance and proper justification in disclosures—would strengthen transparency and reduce the risk of greenwashing. At the same time, it would maintain sufficient flexibility for financial products to include a broader range of investments that meaningfully integrate ESG considerations beyond basic risk management. Deleting Article 8(2)(c) entirely could unnecessarily limit the scope of eligible investments and reduce the usability of the framework. SI (Comments): We support clarifying rather than deleting this provision, particularly to ensure that alternative and real assets can be appropriately captured. SK (Comments): We do not prefer to delete Art. 8 (2) (c).
10. Do you support adding 'ESG' to all category-names?	AT (Comments): In our experience, from the application of the ESG Guidelines on ESG Fund Names, the term "ESG" is referred and understood to financial products considering all factors together. Therefore the addition of ESG to all category names is not the best solution. BE (Comments):

Questions	Comments
	We believe that naming the category should build on consumer testing in order to assess how the proposed names are perceived. As a preliminary view, we are not opposed to the addition of "ESG" to all categories, provided that consumer testing demonstrates that this would enhance clarity for retail investors. Nevertheless, the circulated naming suggestions of 'sustainable basics', 'sustainable improver' and 'sustainable advanced' seem to capture better the grading of the categories. BG (Comments): **BG**: We do not support this proposal. Currently Art. 9 refers to sustainable investments and in our view the new Sustainable category would be rightly associated with the existing Art. 9 financial products. The same reasoning is valid for the new ESG basics category which would be associated with the current Art. 8 – the broader current category. In addition, sustainable and transition are already established notions not only in the SFDR framework, but also in the Taxonomy regulation and relevant DA. It would be absolutely confusing in our opinion, as sustainability captures all ESG aspects. CZ (Comments): CZ: We would like to reiterate here that at least a limited consumer testing should be performed to clarify the investors´ perception of the proposed names. Based on the discussion during the CWP, we fear the objective of the L2 consumer testing will fail, because any consumer testing results will lag in time after official text of the revised regulation, and market participants will get used to terms of the L1 text. We therefore believe it is still crucial to address this issue now, not during L2 preparation. Developing new names for the categories in L2 will also add complexity to the comprehension of the framework and lower legal certainty.

Questions	Comments
	DE (Comments): DE We do not think this would be an overall improvement. We generally support the COM approach here that the Category Names can only signal a general taste of a product and it will be more important that the product naming rules will be consumer tested. DK (Comments): **DK supports streamlining category titles,** either by using 'ESG' or 'sustainable' consistently for all three categories. However, **we have a preference for using the term 'Sustainable'** (and not 'ESG') primarily because of its easier translation, research evidence from the UK and experience with supervising SFDR 1.0. Furthermore, **we find it important that** the other term in **the category title clearly reflects the hierarchy between Article 8 and 9**, e.g. by using the terms **'Advanced'** and **'Basic'**. **DK finds it of crucial importance to agree on this topic at level 1 to achieve the main purpose of the revision of SFDR** and create a useful and simple framework. We believe this was also raised as a major concern by other MS at the last CWP. Regardless of the original intention (in the Commission's proposal) to develop permitted terms for products names in level 2, we cannot close our eyes to our experience with SFDR 1.0 and foresee that FMPs will most likely (also) be using these category titles in the names of their products.

Questions	Comments
	In this regard we find it important to also discuss the empowerment given to the Commission in article 19b on the list of terms (see comment to Q2 above) More specifically, DK suggests changing the provision titles as follows: Article 7: "***Sustainable Transition"*** Article 8: "***Sustainable Basic"*** Article 9: "***Sustainable Advanced*** " EE (Comments): Clarity is important. In order to decide it would be useful to have more information on exact naming (if ESG added to the names). At the moment NO to just adding additionally ESG to each name. But we agree that the hierarchy between categories should be clear. EL (Comments): EL: We support adding the term 'ESG' to category names where appropriate, as this could help improve clarity and consistency for investors. A clear and harmonised naming structure may facilitate better understanding of sustainability characteristics of financial products. However, the terminology should remain meaningful and accurately reflect the underlying investment approach. ES (Comments): We do not support adding "ESG" to all three category names. Applying the term across all categories would dilute its signal value and blur the distinction between categories. That said, we share the concern that "basics" may not adequately reflect what the Article 8 category actually requires. We would suggest considering "ESG

Questions	Comments
	Screen" as an alternative name for that category. The term is well understood in investment practice, accurately describes the central mechanism of the category, and naturally conveys its position as the entry point of the framework without being dismissive. We do, however, see merit in establishing some form of naming coherence between the Article 8 and Article 9 categories. These two share a clear hierarchical relationship, particularly in the contribution pillar — one is the entry point, the other the higher-ambition tier — and their names could usefully reflect that continuity. The Article 7 transition category, by contrast, has a distinct vocation and logic, and we consider that its name should remain differentiated from the other two rather than form part of the same naming family. FI (Comments): The naming of the categories is currently a key issue with the review especially as regards to article 8 / ESG Basics. If the categories have names or titles, they should be clear and non-misleading. Preferably the category-names would be understandable for end investors so that they can make investment decisions based on their own preferences. Uniform solution for the names of the categories (such as word Sustainable). Such terms could be i.e. Sustainable Advanced, Sustainable Transition, Sustainable Screened. As long as there is a hierarchy in the level of ambition of different categories, any such hierarchy should be easily recognizable in the name of the category. We'd like to note that if the categories are left un-named (category 1/2/3), we might have similar issue as currently with article 8 and 9 where FMP's market financial products as dark green SFDR article 9 and light green SFDR article 8.

Questions	Comments
	FR (Comments): We do not support. It introduces additional complexity and might lead to further ambiguity on the difference between each category. HU (Comments): No, we do not support adding ESG to all category-names, because it could lead to greenwashing and misunderstandings. IE (Comments): No we don't support this. We consider that consumer testing on the names is very important. If every category has "ESG" in the name (e.g., "ESG Basics," "ESG Transition," "ESG Sustainable"), it may actually make it more difficult for investors to distinguish the *level* of sustainability between them. In general we have concerns around the "ESG basic" category, which can cover a number of different investment approaches, some of which are basic and others are more sophisticated so the category name should reflect this. IT (Comments): We do not consider it necessary to include ESG within the Sustainable and Transition category names. LT (Comments): We do not support adding "ESG" to all category names. In our view, this would not necessarily improve clarity for retail investors and may even

Questions	Comments
	increase confusion, as "ESG" is a broad and often loosely understood term. Investor understanding is better supported through clear category criteria, consistent short descriptions and standardised presentation across investor-facing documents, rather than adding an additional label element to all names. We are open to suggestions of MS to link categories names while reflecting their level of ambition. We also note that naming and translation choices can materially affect how categories are perceived in different languages and markets, so any change should be carefully tested from a consumer communication perspective. LU (Comments): **LU** does not have a strong position at this stage. We agree that the name of the Article 8 "ESG Basics" category should be improved. Adding "ESG" to all category's names could be a way to address the issue, provided this is clear and not misleading to the end-user. Therefore, we also echo other delegations in the need for a proper consumer testing with regards to the names that can be used by sustainability-related financial products. NL (Comments): In general, we remain supportive of the term 'ESG Basics'. It is important that investors in SFDR products understand the difference in ambition levels between the three categories, and it should be prevented that art. 8 is seen as 'equally ambitious' in ESG-terms as articles 7 and 9. We believe that 'basics' in particular makes it understandable that this is the least ambitious category of the three. We are not strongly opinionated on applying the term 'ESG' across all three categories, although we underline that the category names should align to a large extent with how retail investors would understand them. PL

Questions	Comments
	(Comments): PL: Yes, we support adding “ESG” to all category names, i.e. ESG Transition category, ESG Basics category (we suggest capitalizing the word ‘Basics’ not “basics”), ESG Sustainable category because each of these categories has such a nature and ESG in name would clearly indicate that product such nature it will also facilitate screening (identification) for such products. PT (Comments): We do not support adding the "ESG" prefix to all category names. In our view, if every category starts with "ESG" the labels become more homogenous, potentially confusing investors who may not look past the prefix to understand the functional difference between a "Transition" product (aimed at improvement) and a "Sustainable Features" product (aimed at established leaders). RO (Comments): We do not fully support adding ‘ESG’ to all category names. While the term “ESG” is widely recognized, using it across all categories may create confusion between different levels of sustainability ambition, and dilute the distinction between products that merely integrate sustainability risks and those that actively pursue sustainability objectives. A more differentiated naming approach would better reflect the varying degrees of sustainability integration and help investors clearly understand the nature of each category. However, the use of “ESG” could be appropriate in certain contexts, particularly where it enhances investor understanding, provided that category definitions remain precise and not misleading. SI (Comments):

Questions	Comments
	No. SK (Comments): As new classification does not seem to be clear and attractive at first sight for non-insiders, we would consider certain adjustment of all category names, e.g. adding "ESG" to all category names. Especially the "transition" category needs better (clearer, better describing or more attractive) name (e.g. "climatically positive transition" or "climate plus"). The names of categories could somehow show the graduality of ambitions. We suggest changing the name of ESG basic to ESG standard category.
11. Do you support this addition in recital 18 or have other drafting suggestions?	AT (Comments): Yes, recital 18 explaining comparable assets appears helpful, though we are of the opinion that this explanation could also be included in the legal text of the Regulation. Moreover, further clarifications and examples of "comparable assets" should be given at level 2. It is crucial that comparable assets are clearly defined, especially because they will classify as sustainable products. BE (Comments): We support the possibility for sustainable products to invest in assets compliant with international standards. Even though, we wonder if it should not be clarified that the level of ambition should be comparable at the tools cited as reference in the recital. BG (Comments): **BG**: In general, we support the clarification provided by the Commission during the last Working party regarding "comparable assets" to be included in a recital. However, the proposed addition should be further clarified.

Questions	Comments
	CZ (Comments): CZ: We support this addition. DE (Comments): DE With regard to market standards, we can support the draft. With regard to other legal standards, we are not yet sure if such an open wording is desirable as it is a de-facto recognition as equivalent of legal frameworks of other jurisdictions and we are not sure if we can or should make such a decision in the SFDR, also given the work on a "Common Ground Taxonomy". DK (Comments): DK can support the proposed addition in recital 18 but would prefer to adjust the wording in line with the provision, i.e. *"provided that a proper justification (...)"*. EE (Comments): We are open to it. EL (Comments): EL: We support the proposed wording of the recital as it provides useful clarification.

Questions	Comments
	ES (Comments): We support the addition in recital 18 to promote the international operability of the sustainable category. We would, however, caution against treating all third-country taxonomies and market-led initiatives as automatically equivalent. The recital should make clear that qualifying comparable assets must demonstrate a high and verifiable standard of sustainability, and that the justification and disclosure requirements are substantive rather than merely formal. In this regard, we would note that the EU Taxonomy represents a particularly ambitious and rigorous standard, the result of an extensive technical development process. The mere fact that a third-country taxonomy or market-led standard exists should not, in itself, be sufficient grounds for treating it as comparable. The justification and disclosure requirements referred to in recital 18 must therefore be substantive, and we would caution strongly against any interpretation that would allow automatic interoperability with instruments that have not been assessed against a comparable level of ambition and methodological rigour. FI (Comments): The suggested drafting suggestion for recital 18 is ok as it clarifies the intention. FR (Comments): We are against the addition in its current form. If a third-country regulation or a market standard were to be considered as comparable to EU regulations, they should get an official recognition by an EU body.

Questions	Comments
	Where the EU grants an "equivalence of non-EU financial framework", this is achieved through implementing or delegated act. These are processes in which Member States have their say. Therefore, we suggest specifying the empowerments granted to the Commission in that respect. The list of assets to be deemed as comparable to EU regulations, i.e. the Paris-aligned benchmark label, the EU taxonomy and the EU GBS, should be listed in the level 2 and regularly kept up to date. Please find below drafting suggestions (in **bold**): Article 19b **Empowerments** The Commission shall **~~be empowered to~~ adopt** a delegated, **at least 12 months before the entry into force of this regulation,** act in accordance with Article 19c, to supplement: [...] (c) paragraphs 1, 2, 3 and 4 of Article 9 to specify: (c) paragraphs 1, 2, 3 and 4 of Article 9 to: (a) specify the conditions for investments to contribute to the sustainability-related objective, and in particular: [...] (iv) the conditions for investment approaches referred to in paragraph 2 to qualify as contributing to the sustainability-related objective, **and in particular the assets to be deemed as comparable in accordance with point (e).** HU (Comments):

Questions	Comments
	Yes, the addition is recommended. A similar method is expected for the equivalence of third-country taxonomies as for the CRR/CRD, where, regarding third countries deemed equivalent in certain concepts, the Commission issues decisions based on the EBA's proposal from a CRR perspective, which are compiled on a website: *Equivalence of non-EU financial frameworks - Finance - European Commission* IE (Comments): We support this and have some drafting suggestions that could increase clarity. The sustainable category should consist of financial products that invest in companies, assets or activities that are sustainable or that pursue or positively contribute to environmental and / or social objectives. This category should capture financial products with a high level of ambition in that regard, selecting ~~notably~~ investments based on proven standards and tools, including centred on strategies replicating or managed in reference to an EU Paris-aligned benchmarks in accordance with Regulation (EU) 2016/1011 of the European Parliament and of the Council, on investing in sustainable economic activities in accordance with Regulation (EU) 2020/852, on investing in instruments issued in accordance with Regulation (EU) 2023/2631 of the European Parliament and of the Council, and on **investing in ~~comparable~~ assets subject to comparable ~~to these~~ standards, such as sustainability-related benchmarks, taxonomies or bond standards developed by third countries or established market-led initiatives, subject to justification and relevant disclosures. ~~of their high standard of sustainability~~, and ~~It should also capture~~** investments in relation to operations benefiting from a Union budgetary guarantee or financial instruments under Union programmes pursuing environmental or social objectives.

Questions	Comments
	IT (Comments): The proposed addition to recital 18 could be appropriate in order to better define the concept of "comparable assets". However, we consider it desirable that the recitals also explicitly refer to some of the main internationally recognized standards, even if they are not regulated at the European Union level (such as, for example, ICMA, CBI, and other globally established standards). The inclusion of such references would, in fact, help ensure a high level of quality, consistent with established market practices, and enhance the interpretative clarity of the regulatory framework. LT (Comments): We support the proposed addition in recital 18. Clarifying the notion of "comparable assets" would help ensure greater legal certainty and reduce the risk of divergent interpretations across Member States. At the same time, the recital appropriately recognizes that sustainable investments may rely not only on EU standards but also on comparable sustainability-related frameworks developed by third countries or market-led initiatives, provided that their high level of sustainability is properly justified and disclosed. LU (Comments): **LU**: we generally support the addition in recital 18. This is a positive element as it promotes international interoperability, however the wording to be used should be assessed carefully.

Questions	Comments
	NL (Comments): The Netherlands supports the addition in recital 18. PL (Comments): PL: Yes, we support this addition in recital 18, however, we suggest a slight modification: (…) investing in assets comparable to these standards, (…); or (…) investing in comparable assets based on comparable standards, (…). In addition if the Commission's intention is that the criterion provided for in Article 9(2)(e) should also cover taxonomies applied in other jurisdictions or certain market standards, it would seem appropriate to clarify this directly in the provision itself, rather than only in the recitals. The current reference to "comparable" standards may leave considerable room for interpretation, as comparability alone does not necessarily mean that such standards are equivalent in terms of the level of ambition or the scope of requirements. It is also worth noting that the wording of recital 18 is not fully consistent with the content of the provision. The recital merely states that such standards may be used provided that they are appropriately justified and that high sustainability standards are disclosed, whereas the provision refers to their comparability. This may lead to interpretative ambiguity. PT (Comments): We can support the clarification of the "comparable assets" concept in recital 18, as it is the most practical and flexible way forward. RO (Comments): We can support the proposed addition to recital 18.

Questions	Comments
	SK (Comments): We support the proposed addition in recital 18.
12. If you support adjusting Article 7(1)(c), what drafting suggestion would you propose and why? Alternatively, do you support the removal of this point?	AT (Comments): We support keeping the exclusions for new projects in coal and fossil fuels for the transition category. However, we noted some inconsistencies in the wording of Art 7 (1) (c) lit i and ii. Both (i) and (ii) cover the exclusion of new projects for exploration, extraction, distribution and refining of hard coal. It is recommended to redraft and clarify the differentiation between (i) and (ii) in this article. *(i) develop new projects for the exploration, extraction, distribution or refining of hard coal and lignite, oil fuels or gaseous fuels; or* *(ii) develop new projects for, or do not have a plan to phase-out from, the exploration, mining, extraction, distribution, refining or exploitation of hard coal or lignite for power generation* BE (Comments): We do not see the need to remove exclusions listed in article 7(1)(c), as it serves, in our view, as a necessary safeguard for having a genuine transitional objective. New projects in the field of fossil fuels are not in line with the transitioning objective, since they will require continuous exploitation on long periods to write-off the initial investment. BG (Comments): **BG**: We support the removal of this point as in our view it adds complexity and risks to undermine the transition category in some cases.

Questions	Comments
	CZ (Comments): CZ: We are not against removal of this exclusion. DE (Comments): DE Q12 & Q13: We should align the transition category exclusion with exclusions in the current EU Climate Transition Benchmark. Drafting proposal: (b) they exclude investments in companies as referred to in Article 12(1), points (a), (b), (c) **~~and (d)~~** of Commission Delegated Regulation (EU) 2020/1818, with the exception of investments in use of proceeds instruments issued by companies: (i) in accordance with Article 3 of Regulation (EU) 2023/2631 of the European Parliament and of the Council; (ii) where the proceeds do not fund any underlying activities as referred to in Article 12(1), points (a), (b) **~~and (d)~~** of Delegated Regulation (EU) 2020/1818, provided that the issuer of the use of proceeds instruments is not excluded under Article 12 (1), point (c), of that Regulation. **~~(c) they exclude investments in companies that:~~** **~~(i) develop new projects for the exploration, extraction, distribution or refining of hard coal and lignite, oil fuels or gaseous fuels; or~~** **~~(ii) develop new projects for, or do not have a plan to phase-out from, the exploration, mining, extraction, distribution, refining or exploitation of hard coal or lignite for power generation.~~**

Questions	Comments
	DK (Comments): **DK proposes the following amendments to Article 7(1)((c)):** • **deleting point (i),** i.e. allowing for investments in oil and gas to be included. As raised by other MS, we agree that exclusion of these activities could block for possible transitioning of a large share of companies in the energy sector. • **amending point (ii) by deleting the wording "for power generation"** In light of the suggestion to delete point (i), **DK proposes** to replace this by introducing **a mandatory PAI-indicator on "oil and gas"** in the PAI identification and disclosure criteria **in letter (d) of Article 7(1)**, thereby ensuring that the FMP always discloses on impacts and explains actions taken on this topic. Furthermore, **DK supports the proposal to expand all fossil fuel exclusion** (i.e. both coal, oil and gas) to the ESG Basic category in Article 8(1), as we find it important to raise the ambition for the criteria for this category. ESG Basic should capture products that are able to already prove some level of sustainability, whilst transition products do not necessarily have any results yet. EE (Comments): We are open to deletion or adjusting it. EL (Comments):

Questions	Comments
	EL: We tend to support the adjustment of article 7 (1) (c) rather than removing it entirely. Clarifying the provision could help ensure that it does not unintentionally discourage investments in companies that are actively pursuing credible transition strategies. ES (Comments): We would caution against simply removing Article 7(1)(c) without replacement, as this would create what we describe as a "snapshot compliance risk": a company could satisfy the exclusion criteria at a point in time without any binding commitment to exit fossil fuel activities over time, which is inconsistent with the transition logic of this category. Our suggestion would be to **explore a reformulation that shifts the focus from prohibiting new projects to requiring a phase-out commitment applicable across all fossil fuels.** This would address the snapshot compliance risk while avoiding the over-exclusion of companies with genuine transition trajectories that happen to have ongoing development activity in fossil fuels as part of, rather than contrary to, that trajectory. For hard coal and lignite specifically, we would call for maintaining the prohibition on new projects in any case. We can share concrete drafting suggestions in writing on this topic on Article 7(1)(c): *(c) they exclude investments in companies that* *(i) develop new projects for the exploration, extraction, distribution or refining of hard coal and lignite~~, oil fuels or gaseous fuels~~; or* *(ii) ~~develop new projects for, or~~ do not have a plan to phase-out from, the exploration, mining, extraction, distribution, refining or exploitation of hard coal, ~~or~~ lignite ~~for power generation~~, oil fuels or gaseous fuels.*

Questions	Comments
	FR (Comments): We are against the proposal from the COM as it prevents investing in energy companies transitioning at an aggregate level. In previous CWP, we suggested to include such companies on the basis of two key requirements, which can be summarized in the following way: first, a minimal and growing share of low carbon capex ; second a comprehensive transition plan covering scope 1,2, and transparency on scope 3. We intend to present more detailed drafting suggestions in a future CWP and remain ready to engage with other Member States interested in this approach. HU (Comments): We do not support the exclusion of companies from the scope of sustainable financial products and we propose to delete the phrase "**in companies**" from the introductory text of Article 7(1)(c), even though this is the concept used in Regulation (EU) 2020/1818. Also we note that most companies engaged in hydrocarbon exploration and production have a diversified portfolio of activities and investments, of which environmentally sustainable activities, investments, and products have become an integral part. The key to a successful energy transition is to encourage, rather than penalize, fossil-based activities in order to facilitate the transition. Exclusion at company level goes against this principle and we have reservations about this idea. Within point c), **we propose to delete** the reference to gas, given the role of domestic gas production in security of supply and our diversification efforts (Romanian gas).

Questions	Comments
	Based on the above our drafting suggestions as follows: (c) they exclude investments ~~in companies~~ that: (i) develop new projects for the exploration, extraction, distribution or refining of hard coal and lignite, oil fuels ~~or gaseous fuels~~; or (ii) develop new projects for, or do not have a plan to phase-out from, the exploration, mining, extraction, distribution, refining or exploitation of hard coal or lignite for power generation. IE (Comments): Do not support removing this exclusion. Expansion activities and new projects for these fuels are clearly not aligned with the transition and should not be in a transition category. IT (Comments): We reiterate our concerns about 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 categorization 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,

Questions	Comments
	potentially limiting the ability of transition-oriented products to support decarbonization efforts. Therefore, we generally support the removal of Article 7(1)(c) in order to allow investment in companies that, through a transition pathway, could improve their sustainability profile. LT (Comments): We see the basis in adjusting Article 7(1)(c) in order to avoid unintentionally discouraging investments that support the transition of energy companies. In particular, the wording could be clarified to ensure that the exclusion targets activities that significantly expand fossil fuel production without a credible transition pathway. At the same time, it should remain possible to invest in companies that are actively transitioning their business models. NL (Comments): The Netherlands is in favor of retaining the fossil fuel expansion criterium in article 7 and does not support a removal or watering down of the provisions. While we share the underlying goal of wanting to incentivize investments in transitional activities, the energy mix scenarios are clear and fossil fuel expansions are not part of the pathway to net zero. We believe that the transition category should therefore also indirectly incentivize energy companies to move away from such investments and therefore consider it warranted to exclude investments from such companies from the transition category. Allowing investments in companies engaged in fossil fuel expansion within the transition category could undermine investor trust in these products that are categorized in the transition category , blur the distinction between genuinely sustainable or transition-oriented products and less ambitious products, and is not in line with the core purpose of the SFDR - To enhance

Questions	Comments
	usability and clarity for investors and market participants and to improve the effectiveness of the framework in mitigating greenwashing risks. PL (Comments): PL: We support considering the complete removal of Article 7(1)(c). The proposed exemptions for traditional energy sources could have unintended consequences for energy security and the stability of energy systems in those Member States whose energy mix remains significantly dependent on them. Restricting access to financing for relevant projects could simultaneously hinder the modernization of these sectors, including the implementation of more efficient technologies and solutions leading to reduced emissions Moreover we support removal as in the future even near future there may be (and become popular) modern techniques to explore/produce gases in a more sustainable way and the gases may be crucial for EU member Countries. Modern gas purification processes, recyclying or underground coal gasification may, however, have some adverse impact . Therefore we propose: removal of point c) and at the same time adding some PAI to deal with potential significant harm to nature and people from gas exploration. See also answer to Q15. PT (Comments): 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 alignment 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

Questions	Comments
	(Comments): We have no final position, we are still analysing, but preference for adjustments. SI (Comments): Under scrutiny SK (Comments): We are considering the removal or modification of Art. 7 (1) (c) to allow energy companies with credible transition plans (at least partial transition plans) to be included in the transition category.
13. If you support adjusting the exclusion regarding coal in Article 7(1)(b), what drafting suggestion would you propose and why? Alternatively, do you support the removal of this point?	AT (Comments): Art 7 (1) (b) referring to Art 12 (1) (d) of the DA to the Benchmark Regulation excludes "companies that derive 1 % or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite." These exclusions should also be applicable for investments in use of proceeds instruments. Therefore, we do not understand why Art 7 (1) (b) exempts investments in use of proceeds instruments from the general exclusions. Although we agree with keeping a legal link to the EU Benchmark Regulation to ensure a long-term alignment between the two pieces of legislation, clarification is needed regarding the general interaction of Art 7 (1) (b) and Art 7 (1) (c), also with regard to certain redundances. As an overarching principle, it is important that the exclusions are clear, understandable, and user-friendly BE (Comments):

Questions	Comments
	We support to maintain all exclusions included within the delegated regulation 2020/1818, for three mains reasons: - It will allow products to comply with the safe harbour and the exclusion requirements by replicating the benchmark. - It will create an incentive for the companies to undergo phase-out as soon as possible in order to be considered as 'in transition'. - We are not certain that retail investors are expecting companies deriving at least 1% of their revenue from hard coal and lignite to be included in the portfolio of a financial product categorised as sustainable and allowed to make claims about its ESG characteristics. If a majority of Member States is in favour of removing the reference to the point (d) of the delegated regulation 2020/1818, we suggest instead to consider raising the percentage of revenue allowed, within a reasonable limit. BG (Comments): **BG**: We suggest letter (d) to be deleted in order to avoid disincentivising investments into the transition of energy companies. The proposed exclusion does not apply for the Climate transition benchmark. This would lead to inconsistency for products pursuing a transition objective for which the exclusion in letter (d) would apply and those benefitting from the safe harbour provision, because they follow a CTB. "(b)they exclude investments in companies as referred to in Article 12(1), points (a), (b), (c), ~~and (d)~~ of Commission Delegated Regulation (EU) 2020/1818, with the exception of investments in use of proceeds instruments issued by companies:" CZ (Comments): CZ: We support the wording of Article 7(1)(b) as it stands at the moment.

Questions	Comments
	DK (Comments): **With reference to DK's suggestion to Q12 above, *we propose to delete the reference to letter (d) in Article 7(1)(b).*** We agree with other MS that there is a need to allow promotion of transitioning these types of companies. EE (Comments): We are open to deletion or adjusting it. EL (Comments): EL: We tend to support the adjustment of article 7 (1) (b) rather than removing it entirely. Clarifying the provision could help ensure that it does not unintentionally discourage investments in companies that are actively pursuing credible transition strategies. ES (Comments): We do not support the removal of the coal exclusion in Article 7(1)(b). The 1% revenue threshold from Article 12(1)(d) of Delegated Regulation (EU) 2020/1818 already represents a relatively permissive floor, and removing it would risk allowing the transition category to include companies with material coal exposure without any compensating requirement. FR (Comments): We do not support the removal of exclusion on coal. IE (Comments):

Questions	Comments
	Do not support removing this exclusion. Expansion activities and new projects for these fuels are clearly not aligned with the transition and should not be in a transition category. IT (Comments): In order to ensure alignment across Regulations, we do not support the removal or the redraft of Article 7(1)(b). LT (Comments): We recognise the concerns raised regarding the coal exclusion in Article 7(1)(b), particularly in the context of transition finance. While the objective of limiting exposure to highly carbon-intensive activities remains important, the provision could potentially be adjusted to better reflect the role of transition investments. We would be cautious about deleting the coal-related exclusion, as it is a key integrity safeguard for the Transition category. However, we would support clarifying the provision so that it does not unintentionally restrict credible coal phase-out financing. In particular, the exclusion should clearly continue to cover new coal/lignite expansion and continued coal-based power generation without a credible, time-bound phase-out plan, while allowing investments where the financing supports a verified phase-out and transition measures (e.g. decommissioning or replacement investments consistent with a credible transition plan), rather than prolonging coal activities. LU (Comments): **LU**: scrutiny reserve. As a preliminary feedback, we note that the exclusions are not fully aligned with the established requirements of the ESMA fund naming Guidelines currently applied. This contradicts the goal of

Questions	Comments
	simplification. In addition, data on the additional exclusion requirements may not be readily available or easily understandable for retail investors. We do not have yet a final position on the exclusion regarding coal in Article 7(1)(b). NL (Comments): The Netherlands is in favor of retaining the coal exclusion criterium in article 7 and does not support a removal or watering down of the provisions. While we share the underlying goal of wanting to incentivize investments in transitional activities, the energy mix scenarios are clear and coal is not part of the pathway to net zero. We believe that the transition category should therefore also indirectly incentivize energy companies to move away from such investments and therefore consider it warranted to exclude investments from such companies from the transition category. As said before allowing investments in companies engaged in coal within the transition category could undermine investor trust in these products and blur the distinction between genuinely sustainable or transition-oriented products and less ambitious products, and is not in line with the core purpose of the SFDR. PL (Comments): PL: We propose, for the reasons set out in Q12, to remove the reference to point (d) of Article 12(1) of Commission Delegated Regulation (EU) 2020/1818, including in Article 7(1)(b) concerning coal, and to delete this reference wherever it appears, as this would enhance the coherence and clarity of the provision. PT (Comments):

Questions	Comments
	As mentioned before, for the sake of simplicity, consistency, and effectiveness of transition financing, there should be a direct alignment between the SFDR exclusion regime and that of the EU Climate Benchmark (PAB/CTB). As the exclusion regarding coal has its source on the EU Climate Benchmark (PAB/CTB), we do not support the removal of this point. RO (Comments): We have no final position, we are still analysing, but preference for adjustments. SK (Comments): We do not consider necessary the adjustment of Art. 7 (1) (b).
14. If you support the addition of further exclusion criteria regarding the Sustainable category, please provide specific drafting suggestions. If you support removing or adjusting the phase-out component in Art 9(1)(c)(ii), please provide specific drafting suggestions.	AT (Comments): Regarding the exclusions for the sustainable category, nuclear activities should be excluded as well, as this is common practice for most sustainability products on the market. Moreover, apart from climate-related exclusion criteria, exclusion criteria with regard to other environmental objectives could be considered. The 'phase-out' component proposed be the EC in point 9(1)(c)(ii) should be kept, as investments in new projects as well as existing projects without phase-out plans should be excluded for the sustainable category. Otherwise, existing coal investments with no intention of being phased out could be part of the sustainable category. BE (Comments): We consider that the exclusions included in article 9(2) are balanced and should not be amended. As companies included within portfolio are considered

Questions	Comments
	sustainable, we could be in favour of setting a clear deadline for the phase out of power generation from hard coal and lignite. BG (Comments): **BG**: We do not support the addition of further exclusion criteria in the Sustainable category. CZ (Comments): CZ: We are not considering any drafting suggestions at the moment. DE (Comments): DE We think for the sustainability category there should be phase-out plans. DK (Comments): We do not propose additional exclusion criteria for the sustainable category for the moment. EL (Comments): EL: We are of the view that the sustainable category should remain at least as ambitious as the transition category. We support maintaining strong exclusion criteria for Article 9 products. ES (Comments):

Questions	Comments
	On Article 9(1)(c)(i), we support maintaining the prohibition on new fossil fuel expansion projects. A product claiming to invest sustainably should not finance companies actively expanding in fossil fuels, regardless of their current revenue profile. On Article 9(1)(c)(ii), we are sympathetic to the view that if a company's exposure to coal and lignite is already below the 1% threshold, the phase-out component adds limited protective value, particularly given that re-entry or expansion would be caught by the exclusion in (c)(i). We could therefore support removing Article 9(1)(c)(ii). Additionally, we would be open to studying the introduction of thematic exclusions related to deforestation in the sustainable category. FI (Comments): The possibility for phase-out should be reserved for transition category. This would also make the categories more easily recognizable. (c)they exclude investments in companies that: (i)develop new projects for the exploration, extraction, distribution or refining of hard coal and lignite, oil fuels or gaseous fuels; or (ii)develop new projects for~~, or do not have a plan to phase-out from~~, the exploration, mining, extraction, distribution, refining or exploitation of hard coal or lignite for power generation. FR (Comments):

Questions	Comments
	In our view, the exclusion criteria should be broadened and is a way to ensure this category has the higher level of ambition regarding sustainability. That could include for instance deep-sea mining or deforestation. Indeed, the SFDR, which aims at enhancing transparency on sustainability matters towards investors, does not at all tackle biodiversity issues – which are as important as climate when it comes to environmental impacts. Thus, we propose to add an exclusion to strengthen the Sustainable category on deep sea mining, which is a niche and emerging market that concern very few economic actors and financial funds. At least 11 banks already exclude deep sea mining from the totality of their investments. Drafting proposal: "art.9. c. iii: they exclude investments in companies involved in deep sea mining." We will make detailed proposals through written comments. We would also like to modify the exclusion criteria on fossil fuel. 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 finance the energy transition We will provide drafting suggestions by a future CWP. HU (Comments):

Questions	Comments
	Expanding the scope of exclusions is acceptable, but any additional elements of the exclusion must be specified in a clearly defined manner, ideally by reference to an existing regulation. Regarding points ii. and iii., we propose an amendment rather than a deletion, so that exposures related to fossil fuels that have a phase-out or transition plan in place are also excluded from the portfolio. IE (Comments): Support removing the phase-out component from Article 9(1)(c)(ii) IT (Comments): We deem Art 9(1)(c)(ii) could be redrafted as follows: "*develop new projects for, or do not have a **credible** plan to phase-out from, **or significantly reduce the involvement in** the exploration, mining, extraction, distribution, refining or exploitation of hard coal or lignite for power generation*." LT (Comments): We do not propose adding further exclusion criteria for the Sustainable category at this stage, as additional exclusions could increase complexity and reduce predictability without clear evidence of added investor benefit. Regarding the phase-out component in Article 9(1)(c)(ii), we would prefer to retain it given the integrity of the Sustainable category, but clarify what qualifies as a "plan to phase-out" to ensure consistent application across Member States. In particular, the plan should be credible, time-bound and disclosed, with interim milestones and monitoring/governance elements, so

Questions	Comments
	that supervisors and investors can assess whether the phase-out commitment is real and measurable. Drafting suggestion: "(ii) develop new projects for, or do not have **a credible, time-bound and disclosed plan to phase-out**, including interim milestones and monitoring arrangements, from the exploration, mining, extraction, distribution, refining or exploitation of hard coal or lignite for power generation." LU (Comments): **LU**: scrutiny reserve. NL (Comments): With regards to the sustainable category, we are not in favor of removing the 'phase-out component' also given our view on article 9. It seems sensible that the criteria for article 9 products should be at least as ambitious as the art. 7 criteria. In a conceptual way, art. 9 activities are now what art. 7 activities should become in the future. Additionally, this would mean that products would only be restricted from investing in companies undertaking new coal or lignite projects. However, they could still invest in companies maintaining their existing projects, as long as no new developments are initiated. This appears to contradict the intent of the sustainable category and could indirectly encourage energy companies to persist with their current activities. Most importantly, it may mislead investors into believing that the product actively contributes to sustainability-related goals, while in reality, it still permits investments in companies that continue their existing unsustainable operations. PL (Comments):

Questions	Comments
	PL: For Transition – shall not be obligatory but recommended. PT (Comments): We do not support the addition of further exclusion criteria regarding the Sustainable category. RO (Comments): We have no final position, we are still analysing, but preference for adjustments. SK (Comments): We do not consider necessary the adjustment of Art. 9 (1) (c) (ii).
15. Do you support the view of removing the requirement regarding principal adverse impacts in point (d) of Article 7(1) and 9(1) altogether? Alternatively, If you support that some principal adverse indicators and the related actions should be made mandatory, please specify which ones and provide specific drafting suggestions.	AT (Comments): We believe that ensuring a minimum degree of comparability with regard to PAIs would be beneficial. We propose allowing FMPs to select indicators based on their specific needs and exposures, while requiring a limited number of indicators to be chosen from a predefined list, thereby preserving flexibility for the remaining indicators. This approach would combine a certain level of comparability with the necessary degree of flexibility. Recommendations for mandatory indicators have already been put forward by the Sustainable Finance Platform. BE (Comments): We suggest maintaining the current drafting in order to preserve measurable and comparable metrics across products within the same category. At a minimum, we consider this approach to be more relevant for the sustainable category, as it

Questions	Comments
	encompasses all dimensions of sustainability, rather than being thematic in nature, as is the case for the transition category. We are supportive of having a limited set of mandatory indicators for financial products falling within the 'transition' and 'sustainable' categories, as it will enhance comparability. They should be based on information broadly available at market level, for instance based on ESRS mandatory disclosures. BG (Comments): **BG**: We support the removal of the requirement regarding PAI. CZ (Comments): CZ: Yes, we are supportive in general. DE (Comments): DE No final position yet. In general, we support the current wording, as it provides flexibility to product developers and avoids unnecessary burden. As stated before a unified disclosure requirement does not seem to be of much use given the difference in products. DK (Comments): **DK does *not* support removing the requirement to identify and disclose principal adverse impacts.** From our experience with the current SFDR 1.0, it is very important to retain some of the existing DNSH criteria as it is

Questions	Comments
	meaningful information to investors in order to understand the sustainability profile of a financial product. DK also supports that some principal adverse indicators and the related actions should be made mandatory to enhance the level playing field, facilitate comparison, and make the regulation simpler and easier to apply. We suggest the following approach: • including a list of maximum 10 mandatory indicators (e.g. the three proposed indicators below*), combined with a materiality-assessment. Thus, FMPs shall always *consider* these indicators. However, they shall only disclose information and explain actions taken, if the impact is *material* to the investment. • for Article 7 and 9, including one mandatory, i.e. an obligation to always identify, disclose information and explain actions taken specifically for activities related to oil and gas. See suggestion below** and comment to Q12 above. *These indicators should be based on the existing entity-level PAI indicators already well-implemented by FMPs and the revised ESRS- and VSME-standards. For article 7(1) and 9(1), the suggested amendment could be an inclusion of the following wording in the second subparagraph, replacing the existing description of how to comply with letter (d). For Article 8(1), this would require a new letter (d) and second subparagraph. ***"When carrying out the identification according to the first subparagraph, letter (d), financial market participants shall always consider impacts on the following sustainability-related indicators. However, disclosure and explanation of actions taken may only be provided if the impact is material:*** ***(i) Total GHG emissions pr. mio. EUR***

Questions	Comments
	(ii) Share of investments in biodiversity sensitive areas ***(iii) Solid management in investee companies*** ***How to consider these mandatory indicators may be up to the financial market participant's own methodology."*** Point (i) should be set according to the current PAI #2, point (ii) according to the current PAI # 7 and point (iii) should be defined by a combination of the remaining social and governance aspects, not already "captured" by the exclusions of companies "violating" OECD guidelines and UNGC principles, such as clear requirements for remuneration and board diversity, based on revised ESRS. **For article 7(1) and 9(1), DK suggests including the following wording as an amendment to letter (d): ***"Impacts regarding industries related to oil fuels or gaseous fuels should always be identified, disclosed and explained."*** EL (Comments): EL: We are reluctant to removing the PAI requirement, as it seems that they are already embedded in market practice and remain important for comparability, investor information and anti-greenwashing purposes. We are open to further discussions. ES (Comments): We support removing the mandatory PAI requirement at product level for both Article 7 and Article 9 products. The exclusions framework already performs much of the protective function that PAIs were designed to serve. Moreover, reinstating a mandatory PAI disclosure at product level risks reintroducing the

Questions	Comments
	compliance burden that the removal of entity-level PAIs was intended to address. The simplification logic should apply consistently. We would support retaining PAIs as a voluntary reference framework, allowing financial market participants to use them where relevant and meaningful for their specific strategy. FR (Comments): We strongly oppose removing requirements on PAI. PAI indicators play a critical role for investors by providing a common framework to assess and monitor impacts. They are already embedded in FMPs' reporting systems and decision-making processes, and constitute a key component of the SFDR 1.0 framework. The main shortcoming identified relates to the overly broad set of mandatory indicators, rather than to the requirement to disclose impacts as such. In this context, we advocate for a balanced approach that reconciles simplification for FMPs, comparability, and investor protection: - First, FMPs should select from a list of indicators to be defined by the Commission, based on the materiality of the topic for the product and its alignment with the investment strategy. This would help avoid multiple indicators being used for the same objective, which currently undermines comparability for investors (e.g. differing methodologies for calculating and reporting GHG emissions). Where the proposed list of indicators proves inadequate for a given product, FMPs should be allowed to justify the use of tailored indicators. This would follow a "comply or explain" logic, similar to the open approach envisaged for contribution criteria. - If the list of indicators proves irrelevant for a given product, FMPs could justify it and use tailored-made indicators. It would be the same

Questions	Comments
	logic as the open element for contribution criteria ("comply or explain basis"). - Second, a limited core set of indicators should remain mandatory for all products. GHG emissions constitute an obvious candidate. In addition, if investments in fossil fuel companies are permitted within the Transition category, it would be consistent to include exposure to fossil fuels as a mandatory PAI indicator. We are confident that this approach would ensure both comparability and the provision of decision-useful information to investors. We will provide further written input, including detailed drafting suggestions, in the coming weeks. We are also continuing discussions with internal stakeholders and will propose a core set of key mandatory PAI indicators in due course. HU (Comments): We recommend that PAI disclosure be retained for these products. Given that FMPs are familiar with PAI indicators—as they have already been required to submit PAI statements on multiple occasions—maintaining these requirements will not increase complexity. We recommend measuring the currently mandatory indicators (SFDR RTS Annex I, Table 1), while the optional indicators (Tables 2 and 3) may be omitted. In the case of ESG basic products, we believe it is not necessary to mandate the measurement and disclosure of PAI indicators. IE (Comments):

Questions	Comments
	We would not support the removal as the PAI is useful for transparency and comparability purposes. IT (Comments): In our view, the requirement regarding principal adverse impacts in point (d) of Article 7(1) and Article 9(1) should be maintained, and FMPs should disclose information on this by selecting the most relevant PAIs in a manner consistent with the strategy adopted and the sustainable objectives of the financial product. LT (Comments): We would be cautious about removing PAI entirely from the Transition and Sustainable categories. In our view, PAI indicators remain an important tool to ensure that sustainability-related claims are not purely one-dimensional and that product strategies properly consider potential trade-offs and "do no significant harm" aspects. At the same time, we recognise the need to reduce administrative burden. A workable approach would be to retain a minimum set of relevant PAI indicators, drawing from the current RTS experience, and specify the detailed indicators and methodology in Level 2. This would preserve continuity with what market participants already use, while allowing the framework to be streamlined. Drafting suggestion: "(d) they identify and disclose the principal adverse impacts of their investments on sustainability factors, and explain any actions taken to address those impacts**, using a minimum set of sustainability-related indicators to be specified in delegated acts**. 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. **Where certain indicators**

Questions	Comments
	are not relevant or cannot be obtained on a reasonable basis, the financial market participant shall explain this and describe any proxies or alternative approaches used." LU (Comments): **LU**: Scrutiny reserve. At this stage, we do not support the removal of the requirement regarding principal adverse impacts in point (d) of Article 7(1) and 9(1). On the suggestion to have a mandatory limited set of PAI, we will reflect upon. NL (Comments): With regards to the product level Principle Adverse Impact indicators, we recon that these are already used by the market, there is sufficient data availability on these indicators, and the main challenge from a simplification perspective is with the large number of mandatory and voluntary indicators. It seems logical to require FMP's to monitor and report on relevant PAI indicators. We would therefore be in favor of retaining a limited number of mandatory indicators as part of the product-level disclosures. PL (Comments): PL: We consider that certain PAIs should be mandatorily calculated and disclosed, particularly for the Sustainable category, and that the SFDR (or its RTS) should further specify minimum PAI requirements—such as indicators related to water, air, and food pollution, rather than primarily GHG emissions – while for the Transition category such disclosures should be recommended but not mandatory. PT (Comments):

Questions	Comments
	Portugal supports streamlining of the entity and financial-product level disclosures. As such, Portugal supports removing the requirement regarding principal adverse impacts in point (d) of Article 7(1) and 9(1) altogether In our view, 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 (Comments): We are still analysing, so we have no final position. SI (Comments): We support maintaining PAI indicators, with a limited set of mandatory indicators to ensure comparability, complemented by additional voluntary indicators. SK (Comments): We support the removal of the requirement to disclose the principal adverse impact in Art. 7 (1) (d) and 9 (1) (d).
16. Do you have any other drafting suggestions on these issues?	BE

Questions	Comments
	(Comments): We consider the current drafting of articles 7 and 9 a right balance between market coverage and selectivity. BG (Comments): **BG**: We support in general the possibility to invest in use of proceeds instruments by the companies that are otherwise excluded. However, the inclusion of the use of proceeds approach referring only to GBS standard would restrict the possibilities for FMP to include instruments which have been issued in compliance with other standards such as ICMA, Climate bond initiative. It is not clear if a company has issued for example green bonds in accordance with a standard different from the GBS, if this would fall under letter (ii). The same reasoning is valid for Art.8. General comment: These exclusions add unnecessary complexity which could raise either greenwashing concerns (would be very hard for retails to understand the framework and the information provided) or unduly restrict the offering of sustainable products as FMPs could exclude companies where they do not have sufficient information in order to be on the safe side. For example how would FMPs get the information to comply with the exclusion provided in Art. 12, par. 1, letter (c) of Delegated Regulation (EC) 2020/1818 CZ (Comments): CZ: Not at the moment. DE (Comments): DE

Questions	Comments
	Currently, exclusions cover "violations of the UN Global Compact or the OECD Guidelines". Since the UNGC is not a standard, but a non-binding initiative with voluntary principles, it is not suitable for defining exclusions. Instead, the exclusions should be based on the United Nations Guiding Principles on Business and Human Rights, which is also in line with the Taxonomy minimum safeguards. DK (Comments): **DK does not see merit in the PAB and TR safe harbour in Article 7**. In line with the SE non-paper, DK suggests deleting both (i.e. only keeping the safe harbour for products tracking a **CTB-benchmark**) to have a stronger focus on transitioning elements in Article 7 and have a clearer differentiation from the sustainable category. See also comment to Q32. EL (Comments): EL: At this stage, we do not have additional drafting suggestions. ES (Comments): We would like to raise **one additional point on the exclusions for the ESG basics category**. As currently drafted, Article 8 does not exclude companies with high fossil fuel revenue exposure above 10%, high-intensity power generators, or companies with elevated GHG intensity — points (e), (f) and (g) of Article 12(1) of Delegated Regulation (EU) 2020/1818. **We consider that extending the mandatory exclusions for Article 8 to cover these points would significantly strengthen the integrity of that category** and reduce greenwashing risks. The logic is coherent: highly carbon-intensive companies can only enter the investable universe through the Article 7 route, which demands credible transition commitments. They cannot qualify

Questions	Comments
	under Article 8 without meeting substantive sustainability criteria. Article 7 is thus reinforced as the appropriate vehicle for financing the transition. Drafting suggestion on Article 8(1): *1. Financial market participants shall not claim that their financial products, other than those referred to in Articles 7 and 9, integrate sustainability factors in their investment strategy beyond the consideration of sustainability risks, unless those financial products meet the following conditions:* *[…]* *(b) they exclude investments in companies as referred to in Article 12(1)~~,~~ ~~points (a), (b), (c) and (d),~~ of Delegated Regulation (EU) 2020/1818, with the exception of investments in use of proceeds instruments issued by companies:* *[…]* **We would also flag a horizontal legislative drafting concern applicable to Articles 7(1)(b)(ii), 8(1)(b)(ii) and 9(1)(b)(ii).** Those subparagraphs currently cross-refer to Article 12(1), points (a), (b) and (d), of **Delegated Regulation (EU) 2020/1818, which is framed in terms of companies. However, the subparagraphs themselves are drafted in terms of activities** financed by the use of proceeds. While this transposition is sufficiently clear for points (a) and (b) — prohibited weapons and tobacco — it creates genuine ambiguity for point (d), which sets a 1% revenue threshold at company level that does not translate naturally into an activity-based test for use-of-proceeds instruments. We submitted a drafting proposal that addresses this by referring explicitly to the relevant activities rather than cross-referring indirectly to the Delegated Regulation, and we invite the Working Party to consider it as a technical improvement to the text.

Questions	Comments
	Finally, as an additional element for the Working Party's consideration, we would recall that we submitted a proposal to refine the definition of "sustainability-related financial product with impact" in recital 26. The proposed redrafting incorporates ex ante intentionality, a focus on specific outcomes and outputs, the requirement of a documented impact thesis or theory of change, ongoing measurement and reporting, and a reference to underserved environmental or social challenges — all elements drawn from internationally recognised impact-investing practice. We consider this a useful complement to the broader discussion on the exclusions and contribution framework, and invite delegations to consider it as a basis for further discussion. FR (Comments): On article 7(2), we still have some comments on other investment approaches: - On article 7(2).a, we suggested alternative wording in the previous questionnaire to treat active and passive funds on an equal footing. - We support the removal of approach 7)2.b(ii), which relies on a complex and prospective application of the taxonomy. When taxonomy will evolve, those changes will “automatically” be integrated in eligible investments according to 7)2.b, without the need to refer to a prospective application. - We are in favour of combining criteria 7)2.c and 7)2.d. On article 7(2).e, the value added of engagement combined with other approaches seems limited. Engagement should be embedded as a transversal requirement similar to exclusions or disclosure on indicators. It would also be a mean to ensure regulatory consistency as most FMPs are already subject to the Shareholder Rights Directive II (SRD2). Under SRD2, FMPs report

Questions	Comments
	annually on their shareholder engagement and voting strategy, albeit on a "comply or explain" basis. To strengthen accountability, we propose: - requiring Transition products to be built on a credible engagement and voting policy aligned with the objective of the product, with disclosure to the end-investor, - applying these requirements at entity-level (to avoid costly duplication and streamline reporting) or optionally at fund level. Please find below drafting suggestion (**in bold**). Article 7 Transition category: criteria and disclosures 1. Financial market participants shall not claim that their financial products invest in the transition of undertakings, economic activities, or other assets towards sustainability, or contribute to such transition, unless those financial products meet the following conditions: […] **(e) their investment policy is covered by a voting policy and credible and sustainability-related engagement strategy, targeting specific changes with defined milestones and measured with reference to those targets and milestones, and integrating escalation actions in case the expected changes do not happen. Such a strategy may be implemented at the level of the financial market participant and not at the level of the product itself.** […] 2. Investments by financial products as referred to in paragraph 1, first subparagraph, point (a), shall include any of the following:

Questions	Comments
	[…] ~~**(c) investments accompanied with a credible sustainability-related engagement strategy, targeting specific changes with defined milestones and measured with reference to those targets and milestones, and integrating escalation actions in case the expected changes do not happen, in combination with any of those referred to in points (a) to (d) or (h);**~~ NL (Comments): We have no suggestions at the moment. PL (Comments): PL: Yes. PT (Comments): We can agree with the proposed changes. RO (Comments): No SI (Comments): Under scrutiny
17. Do you agree with the proposed changes or do you have other drafting suggestions?	AT (Comments): The proposed changes appear to be a meaningful approach, although the issue with a potentially too broad catch-all element has not yet been fully resolved.

Questions	Comments
	BE (Comments): The drafting suggestions put forward by the Presidency represent a step in the right direction of providing more clarity on what is allowed under the open element. In our view, the open element of the list of strategies should be strictly framed in order to avoid investments that are excluded on the basis of the listed strategies being reintroduced into the portfolio. We also remain unconvinced that such an open element should be permitted within the most ambitious category, namely the sustainable category. CZ (Comments): CZ: We are not against this amendment. *General comment regarding the differentiation between assets:* We fear going in this direction will add too much complexity and render the revised framework ineffective. We therefore remain cautious. DE (Comments): DE We welcome the approach of the presidency to strike a balance that maintains flexibility but improves clarity. We have some concrete drafting suggestions Article 7(2)(h) (h) other investments in undertakings, economic activities or other assets, where such investments ~~**credibly**~~ contribute to the **transition objective of the financial product** and provided **adequate criteria and** proper justification ~~**is**~~

Questions	Comments
	are included in the disclosures required pursuant to paragraph 3, in particular as regards points (c) and (d) of that paragraph. Article 8(2)(e) (e) other investments, ~~**where the criteria used ensure**~~ integrating sustainability factors beyond the consideration of sustainability **risks in line with the ESG-integration objective of the product**, and provided **adequate criteria and** proper justification ~~**is**~~ **are** included in the disclosures required pursuant to paragraph 3, in particular as regards points (c) and (e) of that paragraph. Article 9(2)(g) (g) other investments in undertakings, economic activities, or other assets, where such investments ~~**credibly**~~ contribute to **the** financial **products** environmental objective or social objective, and provided **adequate criteria and** proper justification ~~**is**~~ **are** included in the disclosures required pursuant to paragraph 3, in particular as regards (c) and (e) of that paragraph. DK (Comments): DK generally agrees with the changes but does not find it entirely clear what criteria the proposed drafting suggestion refers to. We therefore propose to specify that it is ***"the criteria used by financial market participants",*** as it could otherwise be confused with criteria set out in level 1 or 2 of the regulation. EL (Comments): EL: We support the non-paper of France. We generally agree with the proposed changes, in particular the objective of balancing flexibility with safeguards

Questions	Comments
	against greenwashing. In our view, a more operational approach would be to limit the use of the open element to private and real assets, where existing criteria are less easily applicable, while excluding its use for public assets to preserve comparability. The open element could nevertheless be retained across all asset classes within the ESG Basics category as a controlled space for innovation. ES (Comments): We wonder whether an open element is genuinely needed in Articles 7 and 9. Looking at the investment approaches already listed under those Articles, it is difficult to identify a genuinely transition-oriented or sustainable strategy that is not already captured, particularly following the proposed adjustment to recital 18. An open element in Article 9, in particular, risks creating a backdoor that undermines the integrity of the category precisely where integrity matters most. That said, we see the open element differently in the context of illiquid asset classes — private equity, infrastructure, and real assets — where established standards are less developed and the listed approaches may not always fit. We would be open to a more targeted approach that limits the open element in Articles 7 and 9 to such asset classes. For Article 8, we support retaining the open element given the broader character of that category. We support the proposed further specification of "proper justification", but consider that this alone does not adequately address the greenwashing risk if a broad open element is retained in Articles 7 and 9. FI (Comments): The drafting is going towards the right direction. FR (Comments):

Questions	Comments
	We think the proposed changes does not entirely address our concerns on greenwashing and supervisory harmonization, and we are afraid it would be easily circumvented. Therefore, we suggest another venue for the open element: - For the sustainable and transition category, the open element would not apply to public assets (where strategies/approaches are mature), but would remain applicable for private assets and for real assets (where the criteria do not apply as easily); - For the ESG basics category, it would remain applicable for both private and public assets; this would ensure that totally innovative approaches are not excluded from SFDR, similar to a sandbox. In the longer terms and making use of the review clause, if open approach proves satisfactory by both FMP and national supervisors, two possible evolutions could be considered: - (i) approaches initially tested under the ESG Basics category could be progressively incorporated into the list of eligible approaches within the Transition and Sustainable categories; or - (ii) the open element within the Transition and Sustainable categories could be fully extended, including to public assets. This latter option would allow both FMPs and supervisors to progressively familiarise themselves with the open approach, while limiting greenwashing risks in the most stringent categories. Please find below drafting suggestions (in **bold**): Article 2 Definitions For the purposes of this Regulation, the following definitions apply:

Questions	Comments
	[…] **(29) 'private assets' means securities that are not admitted to trading on a regulated market or on a multilateral trading facility at the time of the initial investment, or loans granted by the financial market participant to such an undertaking;** **(30) 'real assets' means an asset that has value due to its substance and properties and may provide returns, including infrastructure and other assets that give rise to economic or social benefit, such as education, counselling, research and development, and including commercial property or housing only where they are integral to, or an ancillary element of, a long-term investment project that contributes to the Union objective of smart, sustainable and inclusive growth;** Article 7 Transition category: criteria and disclosures 2. Investments by financial products as referred to in paragraph 1, first subparagraph, point (a), shall include any of the following: […] (h) other investments in ~~undertakings, economic activities or other assets~~ **private assets or real assets as referred to in paragraph (29) and (30) of Article 2, provided** that **they** credibly contribute to the transition **and that** provided proper justification is included in the disclosures required pursuant to paragraph 3. Article 9 Sustainable category: criteria and disclosures […]

Questions	Comments
	(h) other investments in ~~undertakings, economic activities or other assets~~ **private assets or real assets as referred to in paragraph (29) and (30) of Article 2, provided** that **they** credibly contribute to the transition **and that** provided proper justification is included in the disclosures required pursuant to paragraph 3. HU (Comments): Yes, we agree with the proposed amendment. IE (Comments): Regarding the references to 'criteria' in these articles, we are concerned that it lacks the necessary context and is not clearly defined. Specifically, if this is intended to relate to the selection of 'other investments,' it may not be appropriate here, as this provision is designed to govern the types of permitted assets rather than the selection criteria. Additionally, as all requirements of paragraph 3 appear to apply here, we suggest removing the specific references to 3(c) and (e) to avoid unintentional narrowing of the scope. IT (Comments): We do not agree. In our view Article 7(2)(h), Article 8(2)(e) and Article 9(2)(g) should be limited to selected asset classes which, due to their characteristics, may face difficulties in applying the sustainable investment strategies described in the previous points. For this reason, in our view the '*other investments*' option should be limited to private assets and real assets, as proposed by France. Furthermore, in the interests of transparency, it may be advisable to request disclosure of the incidence of Articles 7(2)(h), 8(2)(e) and 9(2)(g) assets, where relevant (i.e. where the percentage is >50%).

Questions	Comments
	LT (Comments): We broadly support the proposed changes. Further clarifying the notion of "proper justification" and linking it to the disclosure requirements under paragraph 3 could help reduce the risk of divergent interpretations and strengthen transparency while maintaining the flexibility needed for innovative sustainable investment strategies. This approach would help ensure that investments relying on the "other investments" element are supported by clear criteria and methodologies, without unnecessarily restricting innovation. LU (Comments): **LU**: In principle, we are supportive of the proposed changes. NL (Comments): The Netherlands can support the drafting for the open list/other investments element. We believe that the open list should give a degree of flexibility to financial market participants, and at the same time believe that this should not erode the ambition level. PL (Comments): PL: In general, we agree. However, the concerns we raised earlier (e.g. at the CWP meeting in February 2026) remain unaddressed, particularly regarding the calculation of the 70% investment threshold for products under Articles 7, 8 and 9, as the SFDR does not clearly specify whether this threshold should be met continuously, at a specific point in time (e.g. year-end), or as an average over a given period, and given that a point-in-time approach could create a risk of greenwashing, we consider that this issue should be clarified in the SFDR itself or through a delegated act, rather than left to future Q&As.

Questions	Comments
	PT (Comments): N/A RO (Comments): The redrafting seems to be more appropriate now, so yes, we agree with the text. SK (Comments): We preliminary agree with the proposed changes.
18. Do you agree with the above analysis?	AT (Comments): We agree with the analysis. BE (Comments): We agree with the analysis provided by the Presidency and support the 70% threshold for question 18, without being opposed to a higher threshold if a majority of Member States would favor that. What seems crucial to us is to keep exclusions for the entire portfolio. CZ (Comments): CZ: Yes, we have no issues with the analysis. DE (Comments):

Questions	Comments
	DE We agree with the analysis. DK (Comments): As previously mentioned in CWPs and written comments, **we suggest raising the contribution threshold criteria from 70% to 80% for all three categories** to ensure sufficiently ambitious criteria that reduce the risk of misleading investors. In short, 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. These already require that 80% of investments are linked to the environmental or social objective of the product. We do not believe that the comparison with the threshold of 50% in ESMA GL is comparable as it only applies for the "sustainable" named products. Furthermore, we believe that an investor would expect all of the product to be invested in accordance with the investment strategy, or at least a majority of 80%. Alternatively, we suggest increasing the threshold to 80% only for the transition and sustainable category as some MS expressed support to at the last CWP, to reflect the higher level of ambition of these categories. Regarding the remaining 30% we believe that the requirements are sufficiently clear in the current proposal, and we do not see a need for further clarification. Regarding the remaining 30% we believe that the requirements are sufficiently clear in the current proposal, and we do not see a need for further clarification. EE

Questions	Comments
	(Comments): Yes. 70% is suitable threshold. EL (Comments): EL: We agree with the analysis of the presidency. ES (Comments): Yes, we agree with the analysis. The 70% threshold represents an appropriate minimum contribution level, and the proposed treatment of the remaining 30% is consistent with the simplification objective. FI (Comments): The analysis is ok. In order to keep the categorization system clear and in order to avoid greenwashing, it is important that the 70% limit will not drop from the current proposal. FR (Comments): In line with the current ESMA guidelines, we support a threshold of 80%. We agree with the analysis. However, it is important to clarify that exclusions have to be applied within the remaining investment portion, as recital 14 is unclear on that matter. Our preference would be clarifying the wording of recital 14 and add in Articles 7, 8 and 9 that exclusions apply to all investments made by financial products. Please find below drafting suggestions (**in bold**):

Questions	Comments
	(14) To help comparability and boost integrity, a minimum portion of 70% of investments by financial products in each category should be made in accordance with the sustainability-related claim, i.e. the objective that is pursued or the sustainability-related considerations that are applied. Financial market participants should be allowed to freely allocate the remaining investments based on diversification, hedging or liquidity needs, **acknowledging that t**~~T~~These remaining investments should ~~**meet**~~ **comply with the exclusions laid down for each category** ~~**not contradict**~~ **the sustainability related claims of the financial product.** . […] Article 7 **Transition category: criteria and disclosures** 1. Financial market participants shall not claim that their financial products invest […] **Conditions set out in points (b) and (c) of the first subparagraph shall apply to all investments made by the financial product.** Similar amendments should be considered for articles 8/9. HU (Comments): Yes, we support threshold and the explanation. However, this necessitates an adjustment to the Naming Guidelines to ensure consistency in fund names. Since the new categories under the SFDR provide labels for investment funds, we believe that their names may also include terms related to these categories. However, the current proposal and the Guidelines are not aligned, so in certain cases, the Guidelines themselves could lead to a risk of greenwashing after the revised regulation takes effect, if

Questions	Comments
	a fund making more than 50% but less than 70% of its investments in sustainable assets wishes to include the term "sustainable" in its name. IE (Comments): Agree Consider the appropriateness of clarification in a recital – could this be included in a regulation or delegated act to aid enforceability. Some drafting suggestions below **Recital 19** ...In addition, products with a proportion of Taxonomy-aligned investment equal or higher than 15% should be considered products complying with the contribution criteria of the sustainable and transition category. The latter would still need to apply the exclusions mandated under the category they wish to comply with on the portion of the portfolio that is not aligned with the EU Taxonomy. **Financial Market Participants ~~These remaining investments~~ may ~~could be freely~~ allocate~~d~~ the remaining investments based on diversification, hedging or liquidity needs. These remaining investments~~but~~ should not contradict the sustainability-related claims of the financial product**. Based on the opinion of... IT (Comments): We generally agree with the 70% threshold; however, it should be clarified that the exclusion criteria apply to the entire portfolio, including the remaining 30% share.

Questions	Comments
	LT (Comments): We agree with the above analysis. In our view, a 70% minimum contribution threshold strikes an appropriate balance between ambition and practical implementation. Such a threshold can help ensure comparability and integrity of the framework while allowing sufficient flexibility for portfolio management purposes. We also agree that the remaining portion of the portfolio should be allowed to be allocated for diversification, hedging or liquidity purposes, provided that these investments do not contradict the sustainability-related claims of the financial product. NL (Comments): We agree with the analysis of the Presidency to set the threshold on 70%. Especially for the ESG basics category, we believe it is important that large institutional investors including pension funds are eligible and have sufficient possibilities to continue to communicate to their participants about sustainability matters. Setting the threshold too high risks that a number of financial market players might no longer be able to communicate, despite their efforts to offer sustainable funds or funds that focus on sustainable investments. We believe a higher threshold than 70% would be problematic. In addition, other criteria (like the exclusion criteria) can ensure that the necessary level of ambition remains intact. PL (Comments): PL: Yes PT (Comments): The 70% contribution threshold and flexibility for the remaining 30% represents a well-considered compromise.

Questions	Comments
	RO (Comments): Yes. As regards the thresholds of 70%, at the time being, we consider no adjustment is needed, but we would like to express again our flexibility to further discuss the thresholds values, if necessary. SK (Comments): We could accept the 70% threshold and related principles.
19. Do you agree keeping the 15% threshold value, bearing in mind the relevant review clause?	AT (Comments): In general, we agree with the 15 % threshold as a starting point. However, we would like to raise the point that from the point of view of retail investors this percentage threshold (in contrary to the general 70% contribution requirement) might weaken the credibility of the categories. Therefore, we are open to consider further requirements on the remaining 85% as proposed by others. BE (Comments): We agree with maintaining the 15% threshold. However, we continue to question whether the remaining 85% should not, at a minimum, be subject to specific requirements clarifying that this portion should not include any investments that are detrimental to the sustainability objective of the financial product. The addition of a recital represents a step in the right direction, but in our view, clarification enshrined directly in the operative articles would be more effective. BG (Comments): **BG**: We agree.

Questions	Comments
	CZ (Comments): CZ: We are not against the 15 % threshold. DE (Comments): DE We continue to support the taxonomy safe harbour in the transition and sustainability categories, as this link may help the taxonomy mobilise capital for the green transition. We consider the 15% threshold to be acceptable as a starting point. As regards the review clause, a possible way to address concerns relating to the 15% threshold could be to shorten the review period on this aspect only from 36 to, for example, 24 months. DK (Comments): **DK supports increasing the threshold value to 20%** as suggested by some MS in order to ensure sufficiently ambitious criteria. The presidency note refers to findings showing that the proposed 15% threshold would be attainable by about half of the current investment funds disclosing under article 9. However, as this is based on SFDR 1.0, it does not include the same incentive for taxonomy aligned investments as a clear reference to the safe harbor in the operative text would. We are concerned that changes to the products' investment strategies would make it "too easy" to meet the 15% threshold. We believe that setting a higher threshold (e.g. 20%) could mitigate some of this concern. If experience later indicates that the threshold is set too high, there is an opportunity to lower the threshold according to the review clause. We find this a better solution than the

Questions	Comments
	alternative to raise the threshold later, as this could require FMP's to reclassify their products leading to unnecessary burdens. EE (Comments): Yes EL (Comments): EL: We can accept the proposed 15% threshold, considering as well the relevant review clause. ES (Comments): We support keeping the 15% taxonomy threshold at the current level for now. The review clause in Article 19 provides an appropriate mechanism to revisit it as market conditions and taxonomy usability evolve, particularly in light of the simplification agenda under the Omnibus package. FI (Comments): Yes, the 15 percent taxonomy threshold is appropriate. FR (Comments): We agree with the threshold. HU (Comments): Yes, the 15% investment criterion under the Taxonomy Regulation remains acceptable for products that aim to make environmentally sustainable investments in accordance with the Taxonomy Regulation.

Questions	Comments
	IE (Comments): Agree IT (Comments): We generally view positively the introduction of a safe harbour regime for products fully aligned with the EU Taxonomy and, in this respect, we support the proposed amendment to recital 19. However, in our view, notwithstanding the review clause, the safe harbour should cover at least one quarter (25%) of the portfolio, to adequately replace the 70% positive-contribution threshold. Market data on Italian funds show that current alignment with the Taxonomy is quite low and remains well below the previously suggested 15%. We therefore believe that our 25% proposal could be a feasible target only if accompanied by a sufficiently long and stable phase-in period. However, the exclusion criteria should apply to the entire portfolio also in this case. At the same time, we suggest assessing the opportunity to extend a safe harbour regime also to products issued in accordance with other well-established international ESG standards—such as, for example, ICMA, CBI, and other market-recognized frameworks—which incorporate governance, transparency, and verification mechanisms that are widely valued by investors and market participants. In addition, we consider it desirable to take into account the case of progressive application of the EU Taxonomy, by providing dedicated safe harbour mechanisms for products only partially aligned with the Taxonomy (i.e., compliant with the substantial contribution criteria and minimum safeguards). This would make it possible to recognize gradual alignment pathways, without penalizing operators that are committed to a transition consistent with the objectives of the European regulatory framework. LT

Questions	Comments
	(Comments): We can support maintaining the 15% Taxonomy safe harbour threshold as a starting point, together with the review clause. At the same time, we would flag a practical feasibility risk: reaching 15% may be challenging in practice for many mainstream diversified products if reliable Taxonomy data remains available only for a limited pool of issuers and if portfolio-level coverage is constrained by data gaps. We therefore consider it important that the review explicitly assesses the usability of the safe harbour in light of actual Taxonomy data availability and market coverage, and allows recalibration if the threshold proves systematically difficult to achieve in practice despite genuine sustainability strategies. We would also flag that a 15% Taxonomy safe harbour may not be meaningful for highly thematic products focused on sectors largely covered by Taxonomy criteria (e.g. real estate, renewable energy). In such cases, a low Taxonomy share could allow sustainability-related claims that may be misleading for investors. Consideration could therefore be given to additional safeguards for thematic strategies in Taxonomy-covered sectors by requiring a stronger substantiation where Taxonomy alignment is expected to be central to the strategy. LU (Comments): **LU**: We generally agree with the 15% threshold value. NL (Comments): We agree with the proposed threshold of 15%. Also given the explanation of the Commission that 50% of the current investment funds disclosing under article 9 would be eligible, we believe that a threshold of 15% ensures a sufficient level of ambition.

Questions	Comments
	PL (Comments): PL: Yes PT (Comments): We agree with maintaining the 15% threshold. Furthermore, the review clause appears to be a pragmatic approach that allows for market adaptation while ensuring a mechanism for future adjustment based on concrete implementation data. RO (Comments): Yes, we agree to maintain the 15% threshold. SK (Comments): We do not oppose the 15% threshold and related principles as well as relevant review clause.
20. Do you agree not to differentiate the use of KPIs between categories, bearing in mind the Commission's reasoning that this could undermine the architecture of the Taxonomy?	AT (Comments): We generally support the incorporation of the taxonomy and would not suggest differentiating between KPIs for the sustainable category. However, for the transition category a revenue KPI seems less meaningful, as mainly investments made (CapEx) should be reflected. BE (Comments): We find the use of CapEx for the transition category to be an attractive option. That said, as noted by the European Commission, it may prove too flexible and also difficult to understand by retail investors. One possible way forward could

Questions	Comments
	be to introduce an increasing threshold for the safe harbour under Article 7, to cope with the transitional element. BG (Comments): **BG**: We agree. CZ (Comments): CZ: Yes, we support the current drafting and a common approach to both the sustainable and transition categories. DE (Comments): DE The reasoning behind not differentiating the use of KPIs between the sustainable and the transition category is not clear to us. In considering possible amendments, the mobilisation of capital for the companies in the transition should remain the guiding principle, and the requirements should remain workable from a market perspective. However, we can also agree with this approach if a majority should deem this acceptable. DK (Comments): **DK agrees not to differentiate the use of KPIs between categories** to respect the architecture of the already implemented taxonomy. EE (Comments):

Questions	Comments
	Yes EL (Comments): EL: It is crucial to ensure consistency and avoid confusion for end investors and FMPs. We support that as regards the Transition category, focusing on the CapEx KPI and the CTB, as suggested by Sweden, can be proved more appropriate. We are open to further discussions. ES (Comments): We can support not differentiating between revenue and capex across categories at this stage. We take note of the Commission's reasoning on the Taxonomy architecture. FR (Comments): We are flexible but would prefer to differentiate. If the majority of Member States agrees not to differentiate, the text should be clarified to indicate that both revenue and capex can be used by FMPs. HU (Comments): Yes, we agree; however, we recommend considering highlighting the CapEx metric as the most important KPI for transition products, while for sustainable products, the Turnover metric should be highlighted as the most important KPI. One way to do this could be to rank the KPIs. IE (Comments): There are clearly differences between the Taxonomy KPIs but would not support something that contradicts another EU law.

Questions	Comments
	IT (Comments): Yes, we agree that the use of KPIs should not be differentiated across categories at Level 1. Such a requirement could instead be considered at Level 2. See also comment to Q19. LT (Comments): We support the Commission in its concern thus are against designating which Taxonomy-KPI can be used in the sustainable and transition categories, as this could undermine the architecture of the Taxonomy. LU (Comments): **LU**: Our preference is to not differentiate the use of KPIs between categories and keep a neutral approach across the categories, for comparability purpose. NL (Comments): We agree not to differentiate the use of KPIs between categories. We believe that the EU Taxonomy is already undergoing simplification and further differentiation within the SFDR could undermine the architecture of the Taxonomy, and erode the coherence of the wider sustainable finance framework. PL (Comments): PL: Yes PT

Questions	Comments
	(Comments): Yes, it is reasonable not to differentiate the use of Taxonomy KPIs between the sustainable and transition categories, as prescribing specific indicators (e.g., turnover for sustainable products and CapEx for transition products) could risk undermining the architecture and flexibility of the EU Taxonomy framework. RO (Comments): Yes, we agree to use the same KPIs for all the categories SK (Comments): We understand the reasons why to differentiate KPIs between categories, but we would stick to the original proposal.
21. Do you agree with the above analysis of Member States' comments on the 85% threshold and the further guidance/drafting suggested by the Presidency to be provided in the recitals?	AT (Comments): Considering the discussion in the CWG the treatment of the 85% exposure is still not sufficiently clear. Therefore, we suggest further clarifying the requirements on the exposure not contribution to the safe harbor. We question whether applying only the exclusion requirements is sufficiently ambitious. BE (Comments): We agree with the analysis and with the need for further clarification concerning the allocation of the remaining 85%. In this respect, we would be more supportive of introducing clear requirements directly within Articles 7 and 9. BG (Comments):

Questions	Comments
	BG: We agree. CZ (Comments): CZ: Yes, we are open to the suggested wording. DE (Comments): DE We support the proposed amendment to recital 19. From our perspective, the proposed amendment to recital 19 provides sufficient guidance with regard to the remaining 85% threshold of the taxonomy safe harbour. DK (Comments): DK believes that the requirements for the remaining 85% are sufficiently clear in the Commission proposal. However, we are open to the proposed re-drafting of the recitals if other MS finds a need for further clarification. EE (Comments): Yes EL (Comments): EL: We could support. ES (Comments): We agree with the Presidency's reading that the operative text already requires compliance with the exclusions across the full portfolio, and we support the

Questions	Comments
	proposed addition to recital 19 clarifying that remaining investments should not contradict the product's sustainability claims. FI (Comments): Changes to recital 19 are ok. In order to make the recital and intention more clear, perhaps the need to also fulfil the exclusions might be added to the recital. FR (Comments): We agree with the overall analysis. We think the application of the exclusion to the 85 % investment portfolio should be clearly stated in the regulation, in addition to recital 19. HU (Comments): Yes, we agree; the proposal to amend the relevant section of the preamble is acceptable. It is necessary to define how the products can meet the requirements of the following underlined section: "These remaining investments could be freely allocated based on diversification, hedging, or liquidity needs but should not contradict the sustainability-related claims of the financial product." IE (Comments): Agree IT (Comments): Yes, we agree with the additional guidance/drafting suggested by the Presidency to be included in the recitals in order to better clarify the treatment of certain

Questions	Comments
	asset classes—such as liquidity or derivatives—within the remaining 85% portion of the portfolio. See also comment to Q19. LT (Comments): We agree with the Presidency's suggested way forward, including addressing Member States' concerns through further clarification in the recitals. This approach can help ensure consistent interpretation in practice without reopening the threshold design in Level 1 at this stage. LU (Comments): **LU**: We welcome in principle further guidance as suggested in recital 19) (on the remaining 85% threshold). It is important to provide guidance and clarity on ancillary assets and introduce clear operational guidance on how to treat short positions, derivatives, and holdings used purely for hedging or cash management when assessing compliance with minimum eligibility thresholds. NL (Comments): The Netherlands agrees that further guidance and drafting is needed on what should count towards the 85%. Furthermore, it is not clear which category (transition or sustainable) a product falls under when it meets the 85% requirement. In our opinion, it would be logical if the recitals state that the 85% portion of the portfolio needs to comply with the exclusion criteria to be applicable to the relevant category. This would also help to clearly distinguish under which category (transition or sustainable) a product falls when it makes use of the safe harbour (15%) provision. The Netherlands would thus be supportive if the exclusion criteria would apply to the 85%. PL

Questions	Comments
	(Comments): PL: Yes PT (Comments): The proposed guidance in the recitals appears to be a sensible way to address the calls for clarity regarding the "remaining 85%". RO (Comments): No view at this stage. SK (Comments): We do not oppose the adjustment of Recital 19.
22. Do you agree with the proposed way forward by the Presidency, to keep the CTB/PAB harbour as is for the time being in terms of the exclusions and do no harm issues, and include a reference to active strategies referencing the benchmarks in Articles 7 and 9 to ensure a level playing field?	AT (Comments): We generally support the PAB/CTB benchmark safe harbor. Consistency should be reached especially with regard to the exclusion criteria. The reference to active strategies appears to be a meaningful clarification while the text “managed in reference to” is preferred as wording BE (Comments): We support extending the safe harbour to actively managed products, provided that the requirements set out in Section 2 or Section 3 of Delegated Regulation (EU) 2020/1818 are fully complied with. CZ (Comments): CZ: We agree here.

Questions	Comments
	DE (Comments): DE We generally agree with the proposed way forward. We support retaining the CTB/PAB safe harbour as regards exclusions and DNSH-related aspects. At the same time, we would like to underline that we do not support the additional exclusions in Article 7 compared with those applicable to the EU Climate Transition Benchmark. The EU Climate Transition Benchmark is an established market standard that provides effective safeguards against greenwashing while not hindering investment in undertakings in transition. To ensure a coherent EU sustainable finance framework, the exclusion criteria should be aligned with those applicable to the EU Climate Transition Benchmark. We also have one question with regard to CTB/PAB: Are financial products that are managed in reference to a CTB/PAB, but do not replicate those benchmarks and instead use derivatives to mirror their performance (e. g. synthetic ETF), eligible under the current wording? DK (Comments): **DK agrees with the proposed way forward** and refer more directly to both passively and actively managed products for the CTB/PAB safe harbours, **under the condition that we include some further guidance on the interpretation of "active strategies referencing the benchmarks" in a recital**. Based on our experience with SFDR 1.0 and products managed in reference to benchmarks in respectively passive or active strategies, this has led to huge fragmentation in interpretation by both supervisors and FMPs,

Questions	Comments
	meaning that in practice there can be very large difference between how much products contribute. Defining these "safe harbours" clearly are very important. EL (Comments): EL: We support the proposed way forward by the Presidency regarding the CTB/PAB safe harbor, including maintaining the current approach on exclusions and do not significant harm aspects, as well as the inclusion of references to active strategies. The CTB safe harbor, as suggested by Sweden, can be proved also appropriate. ES (Comments): **We consider that the discussion on the PAB/CTB safe harbour should be deferred until the Working Party has greater clarity on the design of each category**. The safe harbour can only be properly assessed once the general criteria are settled. The benchmarks should not drive the design of the categories — it should be the other way around. We flag two concerns for when that discussion takes place. - First, the portfolio versus company-level issue: the risk that the safe harbour rewards portfolio tilting rather than real-economy transition. - Second, the inconsistency with the exclusions framework: products using the CTB safe harbour are subject to different — and in some respects less demanding — exclusions than products following the general criteria of Article 7. We consider that the exclusions applicable via the safe harbour should be aligned with those applicable via the general route, and not the other way around. FI (Comments):

Questions	Comments
	Yes. FR (Comments): We shared our concerns on the PAB/CTB safe harbour. In our view, the flexibility offered by the safe harbour is excessive, since replicating PAB/CTB indices is already possible under listed criteria. This asymmetry risks creating a regulatory shortcut that undermines the coherence and credibility of the framework. A consistent set of exclusions should constitute a minimum safeguard to preserve the integrity of the categories. Furthermore, the measurement and disclosure of PAI indicators are essential to ensure transparency and comparability for investors, and they are compatible with the categorisation of passive products. For the time being, we agree with the proposal but we stress the need to discuss this point should paragraph 1(b) to (d) of article 7 and 9 be modified later on. IE (Comments): Agree in principle but might have comments once drafting is provided. IT (Comments): We consider that the CTB/PAB harbour provision should be maintained solely for passive management strategies, as active investment strategies, even when benchmark-referenced, may diverge significantly from the benchmark and therefore cannot ensure ex-ante compliance with the exclusion criteria. LT

Questions	Comments
	(Comments): We support presidency proposed way. Safe harbour mechanisms can improve the usability and clarity of the framework while encouraging the use of EU sustainability benchmarks. We therefore agree that the CTB/PAB safe harbour should be maintained for the time being, in particular with regard to exclusions and do no significant harm provisions. We also support including a reference to active strategies referencing the benchmarks in Articles 7 and 9 in order to ensure a level playing field between actively and passively managed financial products. LU (Comments): **LU**: In principle, LU is supportive of the approach to ensure a level playing field. This point is subject to further assessment. NL (Comments): We support the suggestion of the Presidency to keep the CTB/PAB harbour as is for the time being in terms of the exclusions and do no harm issues. However, we are still debating whether this could give an opportunity for FMPs to circumvent the exclusion criteria and we would welcome a reflection from the Commission or Presidency on this issue. PT (Comments): Yes, we agree with the proposed way forward regarding the Climate Transition Benchmark (CTB) and Paris-aligned Benchmark (PAB) safe harbour, as it aligns with the objective to simplify the framework while maintaining essential safeguards against greenwashing. RO (Comments):

Questions	Comments
	Yes, we accept the proposal of the Presidency to keep as it is the CTB/PAB harbour. SK (Comments): We agree with the proposal by the Presidency concerning CTB/PAB safe harbour.
23. Do delegations support the Commission's approach that financial instruments issued by public sector bodies may count towards the contribution threshold of the Transition and Sustainable categories only where the use of proceeds supports sustainability or transition objectives?	AT (Comments): In general, we support the COM´s approach. However, a clear rule is needed stating that commonly accepted use-of-proceeds labels (such as the ICMA Green Bond Principles) are sufficient for an investment to be counted towards Article 7 and Article 9 funds. BE (Comments): We agree that financial instruments issued by public sector bodies should count towards the contribution threshold of the Transition and Sustainable categories, but only where the use of proceeds supports sustainability or transition objectives. It should be clearly demonstrated in the use-of-proceeds documentation that all criteria set out in the relevant article are fulfilled in order for a sovereign issuer to qualify for the 70% threshold. BG (Comments): **BG**: Our preferred option would be to have a neutral treatment of sovereign debt in the 3 categories - excluded both from the numerator and denominator when calculating the 70% threshold across all three categories (Articles 7, 8

Questions	Comments
	and 9). This would ensure consistency with GAR under the Taxonomy regulation. The alternative approach to introduce positive criteria or exclusion criteria (as in the Commission proposal in Art. 7, par. 1 and Art. 9, par.1) would introduce additional complexity for financial market participants which is against the simplification initiative. This would add also to further complexity for investors. In case that the general issuance is treated in a neutral way but there is also a possibility to include the use of proceeds instruments, in our view the approach to refer only to GBS standard would restrict the possibilities for FMP to include instruments which have been issued in compliance with other standards such as ICMA, Climate bond initiative . CZ (Comments): CZ: We are not against this approach. DE (Comments): DE Q23 & 24: We don’t support the Commission approach on general-purpose sovereign debt instrument. We think that the current approach where “general purpose” sovereign debt is per se “brown” in the transition and sustainable category is not justified, given how much public money goes into transitioning efforts. If “general-purpose” bonds from corporates can count towards the 70% threshold if they have adequate transition plans, it seems unjustified to exclude sovereign debt by jurisdictions that are also on a transition pathway.

Questions	Comments
	At the same time, sovereign debt instruments play a major role in the portfolios of products under the SFDR, in particular insurance products, and are often required for regulatory or diversification purposes. We therefore support an asset neutral solution under which general-purpose sovereign debt instruments may count towards the 70% threshold for the transition and sustainable categories, given adequate methodologies are used. Such inclusion should be subject to the use of appropriate methodologies for measuring the sustainability performance of sovereign debt instruments. DK (Comments): DK supports the Commission's approach that financial instruments issued by public sector bodies may count towards the contribution threshold of the transition and sustainable categories but only where the use of proceeds supports sustainability or transition objectives. EL (Comments): EL: We support the non-paper of Spain. We have reservations regarding the Commission's approach to limit the eligibility of financial instruments issued by public sector bodies to use-of – proceeds instruments only. While this aim to preserve the integrity of the Transition and Sustainable categories, it may be overly restrictive. Consideration could be given to introducing an additional eligibility pathway for general-purpose sovereign issuances, subject to appropriate safeguards. ES (Comments):

Questions	Comments
	We do not support limiting the eligibility of instruments issued by public sector bodies to use-of-proceeds instruments only. General-purpose sovereign debt finances public expenditure that is directly relevant to sustainability and transition objectives — including energy infrastructure, transport, buildings, and social programmes. Restricting sovereign issuances to use-of-proceeds instruments alone creates a structural inconsistency with the treatment of corporate issuers, who can qualify under Articles 7 and 9 on the basis of credible transition plans without ring-fencing proceeds. We refer to the non-paper we circulated on 17 March for a concrete alternative approach. FI (Comments): Yes. FR (Comments): On Q23 and 24, we support the Commission's approach in principle. We acknowledge the need to accommodate financial products with a high allocation to sovereign bonds for prudential purposes (e.g. IBIPs), while acknowledging that the ESG basics category would remain available to those. For products predominantly composed of sovereign exposures, a greater degree of flexibility may therefore be warranted. We oppose any exclusion from the numerator of the contribution threshold. Alternatively, we could consider a lower minimum contribution threshold (e.g. 60%) for such products. Further flexibility could also be considered for public sector entities that, by their nature, support sustainability or transition objectives, in particular multilateral development banks. HU (Comments):

Questions	Comments
	Yes, we support the Commission's approach. IT (Comments): With regard to the treatment financial instruments issued by public sector bodies we see merit in also considering the alternative proposals put forward by Spain. In this regard, please refer to our comments to Q26a and Q32. At this stage, while acknowledging the rationale of the approach that foresees the inclusion of general-purpose government bonds in the denominator— and not in the numerator—of products belonging to the transition and sustainable categories, we believe it is necessary to pay the utmost attention to the operational implications of this choice. Including sovereign bonds only in the denominator could, in fact, produce penalizing effects for many funds, particularly pension and insurance funds, which would face an artificially enlarged denominator without corresponding possibilities to increase the numerator, thus risking failure to meet the 70% threshold for technical rather than substantive reasons. To avoid such distortions, we consider it appropriate, for example, to assess the possibility of treating general-purpose government bonds as "neutral" in the 70% calculations, thereby excluding them from both the numerator and the denominator. In this way, these instruments—often held for prudential purposes rather than discretionary investment choices—would neither facilitate nor hinder the achievement of the required threshold. At the same time, it remains necessary to clarify certain ambiguities regarding the treatment of sovereign bonds within "ESG basic" products. To this end, we propose adopting a multifactor approach, not limited to ESG ratings alone, to allow the inclusion of general-purpose bonds in the numerator. Such an approach could be based on a set of elements such as: the existence of an eco-

Questions	Comments
	budget or a gender budget; the presence of a stable and credible green and/or sustainable issuance program over time, not necessarily bound to EUGB standards but open to internationally recognized standards (ICMA, CBI, etc.); and the availability of national strategic documents demonstrating the country's commitment to ESG objectives (e.g., national sustainable development strategies, national energy and climate plans, national plans for adaptation to climate change, etc.). Such an approach would make it possible to recognize not only efforts already made in the past—sometimes reflected in a high ESG rating—but also ongoing efforts, as evidenced by the policies adopted, the organizational framework, and the resources allocated, even where the initial ESG rating may be relatively modest. LT (Comments): We agree with the approach that use-of-proceeds public sector instruments (e.g. sovereign, sub-sovereign or supranational green bonds) may count towards the contribution threshold where proceeds are clearly allocated to relevant sustainability objectives and do not fund excluded activities. LU (Comments): **LU**: scrutiny reserve. NL (Comments): . The Netherlands agrees with the Commission's approach. There are well-establishes standards for the issuance of, for instance, green bonds with sustainability or transition objectives, such as through the ICMA standards or the EU Green Bond Standard. For the sustainability and transition category, we therefore believe it to be fair and proportionate if public sector bodies are

Questions	Comments
	required to show sustainability or transition performance when wanting to issue under these product categories. PL (Comments): PL: Given that government bonds are difficult to assess in terms of sustainability, we maintain that they should be excluded from both the numerator and the denominator of the indicator, as their inclusion could incentivise their removal from portfolios, thereby increasing product risk and limiting the accessibility of sustainable products for risk-averse clients, which does not appear to be the intended outcome; accordingly, such exclusion would be most appropriate, at least for the ESG basic category. PT (Comments): On this subject, we are still subject **to a scrutiny reservation** and will comeback later in detail about it. However, and as mentioned before, in our view, 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. RO (Comments): We support a proposal for a differentiated calibration of sovereign debt treatment between product categories, in the sense of a relatively higher share in products with basic and more restrictive ESG criteria in sustainable products,

Questions	Comments
	in line with the objective of COM's proposal to ensure a clear delimitation between sustainability ambition levels and to avoid greenwashing risks. The approach also takes into account the methodological implications related to the inclusion/exclusion of these instruments in the calculation of the contribution thresholds as proposed at European level. At the same time, we support the objective of the European Commision proposal to ensure a balance between financing public sustainability projects and limiting the risks of greenwashing. SI (Comments): We support the inclusion of financial instruments issued by public sector bodies where the use of proceeds demonstrably contributes to sustainability or transition objectives. SK (Comments): We support the approach that financial instruments issued by public sector bodies may count towards the contribution threshold of the Transition and Sustainable categories where the use of proceeds supports sustainability or transition objectives
24. Do delegations support maintaining the Commission proposal for the treatment of general-purpose sovereign debt in sustainable and transition products, whereby such debt is excluded from the numerator of the contribution threshold and included in the denominator of the contribution threshold?	AT (Comments): Accordingly, we would also support the provision that general-purpose sovereign debt instruments may not be included in the numerator but may be counted in the denominator of Article 7 and 9 funds. To ensure legal certainty, the “or” at the end of Article 7, fifth subparagraph, letter a, should also be mirrored in Article 9, fifth subparagraph, letter a.

Questions	Comments
	BE (Comments): We support maintaining the current drafting. In our view, general bonds without any sustainable commitment should neither be included in the numerator nor excluded from the denominator, nor should they be treated as a standalone category. BG (Comments): **BG**: We do not support Commission proposal regarding the treatment of general-purpose sovereign debt. In our view the treatment of sovereign debt should be neutral, it should be excluded both from the numerator and denominator when calculating the 70% threshold across all three categories (Articles 7, 8 and 9). This would ensure consistency with GAR under the Taxonomy regulation. In addition, the alternative approach to introduce positive criteria or exclusion criteria (as in the Commission proposal in Art. 7, par. 1 and Art. 9, par. 1) would introduce additional complexity for financial market participants which is against the simplification initiative. CZ (Comments): CZ: We support the neutral treatment (exclusion from both numerator and denominator). DK (Comments): DK supports maintaining the Commission proposal for the treatment of general-purpose sovereign debt in sustainable and transition products.

Questions	Comments
	EE (Comments): We are open towards alternative proposals (exclusion from both numerator and denominator) EL (Comments): EL: We support the non-paper of Spain. ES (Comments): We do not support maintaining the Commission proposal as currently drafted. Excluding general-purpose sovereign debt from the numerator while including it in the denominator penalises products with structural sovereign exposure — in particular insurance and pension products — and implicitly signals that such investments are non-sustainable without adequate justification. We refer to our non-paper proposing an additional eligibility pathway in Articles 7(1) and 9(1) for general-purpose sovereign bonds. FR (Comments): See our comment on Q23. We oppose any exclusion from the numerator of the contribution threshold. HU (Comments): If we understand correctly, the Presidency intends to include these in the denominator but not in the numerator? Or are these general-purpose government debt financing products for which there is no information regarding their green aspects, contrary to what is stated in recital 22? We'd welcome clarification in this matter.

Questions	Comments
	IE (Comments): No strong views on this but in general we would prefer a treatment whereby there is consistency between the numerator and denominator with regards to general purpose sovereign debt. We do not support that general purpose sovereign debt is excluded from the numerator but included the denominator as it would mean that large proportions of insurance based investment products (which rely on sovereign debt to match liabilities of policyholders) cannot meet the qualification criteria IT (Comments): See comment to Q23. LT (Comments): We understand the rationale for excluding general-purpose sovereign/sub-sovereign/supranational issuances from the numerator by default, given the challenges of linking general budget financing to specific sustainability objectives. However, we would support exploring a consistent eligibility pathway for such general-purpose public sector debt also under the Transition and Sustainable categories, where the financial market participant can provide credible substantiation (based on verifiable and publicly available information) that the holding is consistent with the product's objective/strategy and does not undermine the category requirements. In our view, this pathway should not be hardcoded through a detailed Level 1 methodology. Instead, the principle (eligibility subject to credible substantiation and transparent disclosure) could be anchored, while the methodological expectations evolve through implementation practice and further specification (where needed). Where such substantiation is not

Questions	Comments
	provided, general-purpose public sector debt would remain excluded from the numerator and included in the denominator. LU (Comments): **LU**: scrutiny reserve. NL (Comments): With regards to the treatment of sovereign exposures, we support the Commission proposal. We consider that for general sovereign exposures, i.e. excluding those that comply for instance with the EU Green Bond Standard or ICMA Standards, it is insufficiently clear what their contribution to sustainability or transitional activities is. In addition, institutional investors that hold substantial amounts of these assets could qualify for the ESG Basics category and make use of art. 9a. We also support the clarification that the drafting on recital 22 provides. PL (Comments): PL: As above. PT (Comments): See comment above. RO (Comments): See above - Q23 SI (Comments):

Questions	Comments
	We consider that the current treatment of general-purpose sovereign debt may be overly restrictive. A conditional inclusion pathway could be explored, based on credible transition strategies and transparent assessment methodologies. SK (Comments): We are still open on finding solutions for the treatment of general-purpose public debt. We welcome ES non-paper dealing with this issue; however, we would prefer some sort of simple solution, e.g. to allow including of some small part of general public debt to the numerator of sustainable and transition products (maybe 5-20%) without any special evaluation.
25. Do you agree with the proposed drafting in recital 22?	AT (Comments): We agree with the new wording in Recital 22 ("including based on established market-led initiatives") but would be open to further explicit clarification of this principle. BE (Comments): Recital 22 appears to open the door to market standards as being sufficient to have a bond considered as sustainable and may introduce confusion. In our view, broad and undefined concepts should be avoided. We suggest therefore to empower the Commission to identify standards that are considered as sufficiently ambitious and to make a closed list of qualifying standards under SFDR. BG (Comments):

Questions	Comments
	BG: We do not agree with the proposed drafting of the last sentence. We suggest the last sentence of the recital to be deleted. In our view if the debt has specific objectives and has been issued in compliance with standards such as GBS, ICMA, Climate bond initiative etc, then it could be stated that these investments are consistent with the objectives/strategy of the categorised product. However, if we refer to general issuances from public sector, they have no specific objectives and then it could not be stated if these issuances are consistent or if they do not contradict to the objectives/strategy of the categorised product. Regarding the addition of market-led initiatives, in case that use of proceeds issuances of public sector would be included, then these initiatives should be added as otherwise the scope would be too restricted if referring only to GBS. Please refer also to our response to Q24. CZ (Comments): CZ: Yes, we agree with the drafting in general. DE (Comments): DE We agree with the proposed drafting in recital 22. DK (Comments): DK does not agree with the need to include a reference to market-led initiatives, as we don't see the value of this addition, taking the argumentation into account. EE

Questions	Comments
	(Comments): Yes EL (Comments): EL: We support the non-paper of Spain. ES (Comments): We broadly support the proposed amendments to recital 22, in particular the change from "are consistent with" to "do not contradict" and the reference to established market-led standards for use-of-proceeds instruments. However, we consider that these amendments do not go far enough to address the structural issue we have identified. FI (Comments): The drafting is ok as regards to sustainable and transition categories. HU (Comments): If we understand correctly, the Presidency wishes to include this in the numerator but not in the denominator. This is acceptable, but it must be defined how this requirement can be met: do not contradict the stated sustainability-related objective or strategy of those products to avoid greenwashing risks and be aligned with end-investors' expectations. We can also support this solution: Others suggested exploring a specific treatment only for insurance-based investment products (IBIPs), while ensuring a level playing field across financial products. IE

Questions	Comments
	(Comments): Agree Question – Is there a legal difference between "are consistent with" and "do not contradict"? IT (Comments): We share the greater consistency introduced through the new wording of recital 22. However, we believe it is necessary to reiterate the need for a clearer definition of the treatment of sovereign green or social products issued in accordance with international standards (such as, for example, ICMA, CBI, etc.) and of their eligibility to be considered for the sustainable and transition categories without additional verification burdens. In this perspective, an explicit reference to some of these standards in the wording of the recital would help improve clarity and ensure a more uniform interpretation of the regulatory framework. In addition, it would be appropriate to consider opening up also to green government bonds that are partially aligned with the EU Taxonomy, particularly where they comply with the substantial contribution criteria and the minimum safeguards. Such a provision would make it possible to recognize gradual pathways towards full alignment, supporting a more pragmatic application that is consistent with the objectives of the sustainable transition. LT (Comments): We support the overall intent of Recital 22, in particular the principle that investments in public sector instruments should not contradict the financial product's sustainability-related objective/strategy and that use-of-proceeds instruments can be treated differently where their proceeds are clearly allocated.

Questions	Comments
	At the same time, we would suggest refining Recital 22 to reflect that general-purpose public sector issuances may be treated as eligible for contribution thresholds across categories where credible substantiation and transparent disclosure are provided, without embedding overly prescriptive methodological tests in Level 1. This would help ensure consistent treatment across categories while preserving integrity and avoiding greenwashing. LU (Comments): **LU**: We do not have a final position on this point but we consider the proposed drafting as an improvement. NL (Comments): The Netherlands can support the proposed drafting. We would like to ask the Presidency and/or Commission to what extent an explicit mentioning of the EU Green Bond Standard in recital 22 as one of the optional standards that issuers could use, could serve to give guidance to markets on what kind of market-led initiatives recital 22 refers to, and could help to incentivize the use of the EU Green Bond Standard. PL (Comments): PL: Yes. PT (Comments): N/A. RO (Comments): See above - Q23

Questions	Comments
	SK (Comments): We do not oppose the proposed adjustment of Recital 22.
26. Do you have any legislative or additional proposals to this end?	BE (Comments): No specific legislative or additional proposals at this stage. BG (Comments): **BG**: Please refer to Q25. CZ (Comments): CZ: Not at the moment. DE (Comments): DE See answer to Q23. DK (Comments): DK does not have any legislative or additional proposals to this end. EL (Comments): EL: We support the non-paper of Spain.

Questions	Comments
	ES (Comments): See our non-paper FR (Comments): We support including the treatment of general-purpose sovereign bonds within the scope of the review clause. IE (Comments): No IT (Comments): See comment to Q23. NL (Comments): No other proposals at the moment. PT (Comments): N/A. RO (Comments): See above - Q23
26a. Do you have comments on the Spanish non-paper on the treatment of general-purpose sovereign bonds under the SFDR categorisation framework?	AT (Comments):

Questions	Comments
	Though the Spanish proposals do not represent a general downgrade of sovereign bonds in SFDR-labeled funds, they would expand the possibilities for Article 7 and 9 funds to hold sovereign bonds compared to the current proposal. This could create potentially distortions in the level playing field. We therefore prefer the approach of the COMs proposal. BE (Comments): We refer to our answer to the previous question. We believe than considering that all general-purpose sovereign bonds qualify as a positive contribution is too far-reaching and could induce confusion within the grading system. CZ (Comments): CZ: We see no clear benefits in going in the direction suggested by the non-paper. We maintain a reserved position in this matter. DE (Comments): DE We share the analysis of our Spanish colleagues why sovereign debt should be included. As for the concrete drafting proposal, we do not really see the need to include other requirements for sovereign debt than for other assets, except for possibly the exclusion criteria. In any case, we should avoid any wording that could lead to further room of interpretation such as “credible”, “verifiable”, “materially”. With regard to the sustainability category, we are not sure if a reference to transition plans should be included here because this category is precisely not a transition category.

Questions	Comments
	We are happy to discuss this in depth also regarding other possible ways forward e. g. allowing general purpose debt only in the transition category, which would also be a way to maintain the incentive for issuing green bonds. DK (Comments): As mentioned above (Q24), DK supports the Commission's proposal for the treatment of general-purpose sovereign debt in sustainable and transition products. We fear that allowing for general-purpose sovereign debt in sustainable and transition products risk undermining the level of ambition of these categories. While we acknowledge that the Commission's proposal differentiates between corporate bonds and sovereign debt, we also believe that companies and sovereign states are two fundamentally different types of entities – also from a transition and sustainability perspective. Despite considering the drafting proposals in the non-paper, we do not believe that investments in general-purpose sovereign debt can be expected to drive real-economy changes in a way that justifies them being able to count towards the contribution threshold of the transition and sustainable category. EE (Comments): We are open to it. EL (Comments): EL: We support the non- paper of Spain. ES (Comments): The non-paper sets out a concrete proposal that we present as an open contribution to the discussion, not a closed position. We welcome reactions

Questions	Comments
	from other delegations and remain open to iteration on both the conditions and the drafting. In that spirit, we would flag one additional element that the Working Party may wish to consider: whether the eligibility pathway for general-purpose sovereign bonds should be subject to a cap, whereby only a defined percentage — to be determined — of the holding in such debt by a given financial product could count towards the contribution threshold. This would address concerns about dilution of ambition in products with very high sovereign exposure, while still allowing a meaningful integration of general-purpose sovereign debt within Articles 7 and 9. FR (Comments): We have concerns on the proposed treatment of general-purpose sovereign exposures, which appears to offer a high degree of flexibility. First, the scope of sovereigns eligible for the Transition category seems excessively broad. Second, and more importantly, concerns arise with respect to the Sustainability category. The use of a transition plan or equivalent framework (criterion (i)) appears redundant, as this element is already captured under the Transition category. In addition, criterion (ii) relies on a set of rules currently used by FMPs to design ESG-based strategies, typically based on benchmarking and ESG data produced by international organizations. As such, it appears more closely aligned with the objectives of the ESG Basics category and is therefore not well suited to the Sustainability category. We would also like to highlight that the SDGs, which constitute a core reference framework for FMPs when designing ESG strategies for sovereign exposures, are set to expire in 2030.

Questions	Comments
	Lastly, we have reservations about allowing private actors to exercise discretionary judgment in assessing sustainability contributions of Member States. In light of these considerations, we recommend adopting a precautionary approach based on the SDGs and existing FMP methodologies. Any potential expansion of the scope of eligible assets could then be considered through the review clause. IT (Comments): We share Spain's concerns regarding the risk that the Commission's current approach may create a structural asymmetry between the three product categories, disproportionately penalizing products—and operators—with significant sovereign exposure. In light of these considerations, we believe it is appropriate to further explore, including through additional technical analyses, both the possibility of treating general-purpose sovereign bonds as "neutral" in the calculation of the 70% threshold—i.e., excluding them from both the numerator and the denominator—and the option proposed by Spain of a "third way" based on objective and verifiable eligibility criteria. The latter proposal merits particular attention, as it could represent a more stable and sustainable structural solution in the medium-long term. The overall objective remains to identify a balanced approach that avoids, on the one hand, the emergence of distortions and, on the other, an excessively penalizing treatment of instruments that play an essential role in the functioning of European bond portfolios. LT (Comments): We understand and share the underlying concern raised in the Spanish non-paper: excluding general-purpose sovereign bonds from the numerator under

Questions	Comments
	the Transition and Sustainable categories may constrain products with material sovereign exposure and may not always be justified by a principled sustainability distinction. We are open to exploring an additional eligibility pathway for general-purpose sovereign bonds under Articles 7 and 9, subject to clear credibility conditions and transparent disclosure (including in periodic reporting). At the same time, we would be cautious about embedding detailed substantive tests and references to specific "recognised methodologies" directly in Level 1, as this could increase complexity and create de facto reliance on heterogeneous sovereign scoring practices. A more workable approach could be to anchor the principle in Level 1 (i.e. eligibility subject to a credible and verifiable substantiation) while specifying the methodology and minimum evidence/disclosure expectations in implementing measures, so that the framework remains adaptable as methodologies mature. LU (Comments): **LU**: we are still analysing in detail the Spanish non-paper and are open to further discuss this issue. We believe a detailed and thorough assessment is necessary to understand which instruments and issuers are captured under the new point (c) suggested for the last subparagraph of Article 7(1). Overall, it is important to assess the advantages/inconvenient of the proposed pathway from different perspectives (investors and FMPs). LU agrees that investments in sovereign bonds should remain meaningfully integrated within the SFDR framework and be generally eligible for sustainability assessment. While there is no universally agreed methodology for assessing sovereign sustainability, we are concerned that the credibility assessment might put additional burden on the FMPs. NL (Comments):

Questions	Comments
	The Spanish proposal introduces the option to include regular government bonds, alongside green bonds, within the transition and sustainable categories, provided that strict sustainability requirements are met. These include the presence of a credible national transition plan in line with the EU Climate Law or the Paris Agreement, and ensuring that expenditures are not significantly allocated to harmful activities. The Netherlands considers this an interesting proposal, as it offers pension funds flexibility while maintaining appropriate safeguards. However, there are questions regarding the practical implementation and credibility of such national transition plans, as well as the risk of greenwashing. Therefore, we take a cautiously positive stance, emphasizing the need for further analysis before adopting a final position. We would also welcome further clarification on the requirements for credible transition plans and wish to consult pension funds for their views. PL (Comments): PL: See answer to Q32. PT (Comments): N/A. RO (Comments): No comments at this stage. SI (Comments): We welcome the Spanish non-paper and support exploring an additional eligibility pathway for general-purpose sovereign bonds, subject to robust and verifiable criteria to ensure alignment with sustainability objectives.

Questions	Comments
27. Do you agree with the changes proposed by the Presidency in the box above?	AT (Comments): It is not immediately clear from the proposed wording how to handle unit-linked life insurance policies (MOP) where the customer can choose the underlying options (categorised products according to Art 7 - 9 and non-categorised financial products). According to the explanation of the Presidency in and on the margins of the recent CWG such products would fall in any case under para 2 irrespective of what proportion of categorised or uncategorised products (funds) the customer will choose. In this regard, further clarification (at least in the Recital) would be helpful. We wonder if in such cases, the disclosure requirements could be met by providing a list of the investment options and for each of those investment options reference could be made to the information referred to in Article 7(3), Article 8(3) and Article 9(3) that is made available by the provider of the investment options (that is not the insurance company but the investment company). BE (Comments): We consider that the changes proposed by the Presidency clarify the application of the 70% threshold in the context of financial products investing in categorised financial products and in other qualifying investments. BG (Comments): **BG**: We do not agree as in our view the objectives of Art. 9a are not clear. We should clarify and agree upon the objectives and the scope of this provision and then redraft it. CZ

Questions	Comments
	(Comments): CZ: We do see changes that enhance clarity of the provision. DE (Comments): DE We welcome the goal of the presidency proposal to improve Article 9a with regard to scope and practicability. Due to the complex nature of the matter, it is however still difficult to grasp exactly how this Article would play out in practice and feedback we received indicates that questions still remain especially with regard to article 13 and portfolio management services. For example, it remains unclear which entity will be in charge of checking information provided by mandated portfolio managers. It seems, as the Article 9a product developer can rely on the data "blindly" there is a possible lack of supervision (even though contractual agreements might be in place). Because of this complexity and technical detail, we are thinking whether a delegated act could be warranted for, provided the scope of products eligible under Article 9a is sufficiently defined in the level 1. DK (Comments): DK overall agrees with the proposed changes to recital 23, article 9a and article 13(3). However, **we prefer the originally suggested wording *"categorised"* in article 9a(1)** instead of only referring to "sustainability-related financial products". From the original wording, it is easier to understand that the product components need to be already categorised. EL (Comments):

Questions	Comments
	EL: We believe that the proposed changes are towards the right direction. ES (Comments): We agree with the changes proposed by the Presidency. The cascade logic, the clarification that Article 9a(1) does not create a fourth mixed category, the 70% calculation at portfolio level, and the clarification on Article 13(3) are all technical improvements that enhance the coherence of the framework. FI (Comments): Concerning MOPs, we reiterate that the wording would need to be clear to achieve the following outcome: - The FMP has restricted the ability of the customer to choose so that within any SFDR categorized / marketed MOP, the choices of the customer will always meet the categorisation of the wrapper. - The FMP has not restricted the ability of the customer to choose which individual products are used to "fill up" the wrapper. This should mean that the FMP is not able to market the MOP under SFDR. FR (Comments): We welcome the changes proposed by the Presidency to Recital 23 and Article 9a(1). However, ambiguity remains regarding the treatment of "mixed categories". In our view, the provision should be further clarified by focusing explicitly on "pension or insurance-based investment products structured as multi-options, as well as pension schemes". In addition, funds of funds investing in categorised products should be assessed under Articles 7(2), 8(2) and 9(2), rather than falling within the scope of Article 9a(2).

Questions	Comments
	We have significant concerns regarding the proposed amendments to paragraph 2 (see our response to Question 29). HU (Comments): Yes, we agree with the proposed changes. IE (Comments): Question – Can these products avail of the 15% Taxonomy alignment safe harbour provision? This is not mentioned in the recital. Question – Do not understand what "applicable choice offered by the product provider" means Question – What happens if products meet all of the contribution and exclusion criteria of Article 9, but also invest a small proportion (say 20%) in an Article 7 product? Can they qualify as Article 9? This wording in the newly added (a) implies that they cannot, is this correct? Comment – Numbering of sub articles needs updating. **Recital 23** The creation of categories for sustainability-related financial products requires provisions that determine how **financial** products **such as funds of funds, pension or insurance-based investment products structured as multi-option products, and pension schemes** that are exposed to categorised **financial** products, should assess their eligibility to a category and if they do not qualify for a category, how such non-categorised financial products which invest in categorised financial products should disclose information about those investments. In order to assess the eligibility to a category, financial market participants should ~~be able to~~ rely on the information disclosed regarding categorised financial products and combine it with the information ~~on their other~~ on non-categorised investments **including investment options offered**

Questions	Comments
	as part of multi-option products. In cases where a financial market participant uses the services of an entity regulated to provide portfolio management services, the financial market participant should be able to rely on the information provided by this entity which can be mandated to invest in accordance with the criteria for categorised products by its client. **In this way, the eligibility of such products to a category or their disclosures regarding the extent to which their investments comply with the categorisation criteria of this Regulation is not restricted to investments in categorised financial products, but can also encompass other investments or portfolios managed in accordance with the criteria. For multi-option products, this can include investment options relating to internal, segregated or general account funds managed by insurance undertakings that are not financial products under this Regulation but can invest in accordance with the categorisation criteria. This also ensures consistency with the approach under Regulation (EU) No 1286/2014 on packaged retail and insurance-based investment products (PRIIPs) where underlying investment options may be investments in PRIIPs or other investments of a similar nature, or standardised portfolios of underlying investments.** ~~In case w~~ **Where the** investments of those products in categorised **financial** products **and other investments enable them to** reach the 70% threshold for their portfolio **(i.e. that the 70% threshold is met for the product investing in categorised products)**, and where compliance with other criteria, notably exclusion criteria, is also ensured **across the portfolio**, these products could be considered to qualify as categorised **financial** products themselves. **This means that multi-option products which only offer investment options that are categorised financial products and other investments that meet the criteria for categorised financial products under this Regulation can be considered categorised financial products themselves.** This assessment should build on information on the underlying categorised **financial** products **and investments** (e.g. either the minimum investment required for categorised **financial** products

Questions	Comments
	under this Regulation, or the actual investment if available) and information disclosed by portfolio managers. ~~**Which of the three categories such a product would fall into is determined by the applicable choice of investments.**~~ Provided the appropriate exclusions are met in each case, only **financial** products that meet the 70% threshold by investing solely in sustainable products **or other investments meeting the relevant contribution criteria** could be considered sustainable, while those investing across categories **or other relevant investments** would fall either within the transition (if mixing sustainable or transition products) or ESG basics (if mixing products from any of the three) **categories**. For financial products that do not qualify for a category but invest in categorised financial products, in order to ensure comparability, disclosures should include the proportion of ~~how much~~ these financial products ~~have~~ invested in financial products that are categorised as sustainability-related financial products, as well as in portfolios managed for clients on a discretionary basis in accordance with the criteria for categorised **financial** products, and the proportion invested ~~how much~~ in non-categorised **financial** products. **In the case of multi-option products which offer investment options that are categorised products or other investment options that meet the criteria for categorised products under this Regulation as well as non-categorised products and investments, these multi-option products should disclose the applicable choice offered by the product provider.** For this purpose, financial market participants should be able to rely on the information disclosed regarding categorised financial products as well as the information disclosed by the authorised entity in ~~change or~~ **charge of** providing the service of portfolio management. That should help financial market participants managing, manufacturing or making available such products inform their clients on the sustainability-related elements of these products in a more harmonised way, while allowing them to rely on the information provided for the underlying categorised **financial** products and without requiring them to separately verify this information. Those non-

Questions	Comments
	categorised **financial** products should however not be able to use sustainability-related terms in their names, that are reserved for categorised products, but should be able to include sustainability-related claims in their marketing communications, provided they are clear, fair and not misleading, ~~and~~ accurately reflect the information they disclose on the relative shares of investments in categorised **financial** products and in other assets**, and do not convey that they are categorised products themselves**. **Article 9a** Financial products that claim ~~that they combine financial products that are categorised as~~ **to invest in** sustainability-related financial products **or make other sustainability-related investments** 1.Financial products ~~that~~ **which** claim that they **invest in or** combine ~~financial products that are categorised as~~ sustainability-related financial products shall be deemed to be **sustainability-related financial products** ~~compliant with the requirements of Articles 7, 8 or 9~~ if, for the entire portfolio: **(a)** they meet the 70% threshold of investments referred to in paragraph 1 point (a) of ~~those Articles~~ ~~by way of investments in categorised~~ ~~**sustainability-related financial**~~ ~~products~~ ~~**and**~~ ~~other investments that meet the requirements of~~ Articles 7, 8 or 9; and **(b) they** comply with the exclusions in Articles 7(1), 8(1) or 9(1) ~~**for their entire portfolio.**~~ **For the purposes of the first subparagraph,** ~~**other investments that meet the requirements of Articles 7, 8 or 9**~~ **this may include investment options offered as part of a PRIIP as referred to in Article 10 of Commission Delegated Regulation (EU) 2017/653.**

Questions	Comments
	The categorisation of financial products referred to in the first subparagraph under either Article 7, 8 or 9 shall be determined by the applicable choice of investments as follows: **(a) financial products investing solely in financial products categorised in accordance with Article 9 or making investments referred to in Article 9(2) shall be considered sustainability-related financial products under Article 9(1);** **(b) financial products investing solely in financial products categorised in accordance with Articles 7 or 9 or making investments referred to in Article 7(2) shall be considered sustainability-related financial products under Article 7(1);** **(c) financial products investing in financial products categorised in accordance with either Articles 7, 8 or 9 or making investments referred to in Article 8(2) shall be considered sustainability-related financial products under Article 8(1).** **Financial market participants shall ensure that the claims associated with financial products referred to in the first subparagraph align with their categorisation according to this paragraph.** For the purposes of assessing eligibility for a category as referred to in Articles 7 to 9, financial market participants may rely on the information disclosed in relation to their investments in, or exposure to, financial products categorised in accordance with those Articles. 2.For non-categorised financial products ~~that~~ **which** claim that they invest in, ~~are exposed to or are constituted of two or more underlying~~ **sustainability-related** financial products ~~as referred to in Articles 7, 8 and 9~~ **or other investments that meet the requirements of Articles 7(2), 8(2) or 9(2)**, the information to be disclosed pursuant to Article 6(3) shall include:

Questions	Comments
	(a)the composition of the **non-categorised** financial product in terms of the relative share of the underlying **sustainability-related** financial products ~~referred to in Articles 7, 8 and 9~~ **and other investments that meet the requirements of Articles 7, 8 or 9**; (b)the share of the **non-categorised** financial product to which point (a) does not apply; (c)the objective, strategy and applicability of any exclusions applicable to the share of the product referred to in point (b) of this subparagraph. **For the purposes of the first subparagraph, other investments that meet the requirements of Articles 7, 8 or 9 may include investment options offered as part of a PRIIP as referred to in Article 10 of Commission Delegated Regulation (EU) 2017/653.** For the purposes of the first subparagraph, financial market participants may rely on the information referred to in Article 7(3), Article 8(3) and Article 9(3). 3. ~~Where~~ **For the purposes of this Article, where** financial market participants are provided with portfolio management services by entities authorised therefor in accordance with either Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/65/EU or Directive (EU) 2016/2341 **and mandated by them to carry out investments that meet the requirements of Articles 7, 8 or 9**, they may rely on the information provided by those entities. **Article 13(3)** 3. Financial market participants may not include sustainability-related claims in the names and in the marketing communications of financial products referred to in Article 6(a). **By way of derogation from paragraph 2 and the first sub-paragraph,** ~~Financial~~ **financial** market participants may include sustainability-related claims in the

Questions	Comments
	marketing communications of financial products referred to in Article 9a**(2)** provided those claims are clear, fair and not misleading, and consistent with the information disclosed in accordance with Article 9a(1**2**), points (a) to (c) **and do not convey that they are sustainability-related financial products**. IT (Comments): We support the proposed amendment, as it provides an explicit clarification of the scope of application of Article 9a, the criteria to be applied, and the resulting product classification. We consider the proposed draft to be an effective and suitable means of regulating the specificities of MOPs. Furthermore, we would like to express our appreciation for the clear solution proposed for avoiding the possible dilution effect that could result from the combination of financial products categorised as sustainability-related. LT (Comments): We support the Presidency's proposed changes, as they improve legal clarity and help prevent Article 9a from being perceived as a fourth "mixed" category. In particular, we welcome clarifications that (i) the categorisation outcome follows a cascade logic rather than creating a separate label, and (ii) the relevant thresholds are assessed at portfolio level, which reduces loopholes and misinterpretation.

Questions	Comments
	At the same time, it is important that the revised drafting remains clearly anchored to the SFDR categorisation framework and does not create an alternative pathway to categorisation through marketing. The link to Article 13(3) should therefore be drafted in a way that allows factual disclosure of exposure without implying that the product itself is categorised unless the relevant category criteria are met. NL (Comments): For The Netherlands it is important that pension funds that invest sustainably can continue to make sustainability claims. We therefore welcome the efforts to clarify art. 9a. Although we have to study the suggested adjustments in more detail, please allow me to share some brief preliminary remarks. The Netherlands welcomes the revised drafting for article 9a (2). With regards to 9a (1), it seems fair to us that the portfolio which uses a combination of various product categories is allocated the least ambitious category. At the same time, we believe that it should remain possible to make claims about the more specific allocation of underlying funds, e.g. specifying that 20% of a fund that as a whole is allocated article 8, meets the criteria of article 9. In addition, The Netherlands welcomes that more clarity seems to be provided on the use of portfolio management by institutional investors. We are currently still studying whether the drafted text as it stands works sufficiently in this regard, but are generally welcoming the direction of travel. The Netherlands supports clarifying the eligibility of the 70% threshold. Last but not least, we remain supportive of the strong link between articles 13 and 9a. PT (Comments):

Questions	Comments
	We can broadly support the changes proposed by the Presidency, as they improve the internal coherence of Article 9a and provide greater legal certainty as regards the treatment of financial products investing in categorised products and other investments meeting the categorisation criteria. However, we would welcome further clarification on article 13(3)(2nd paragraph), which allows Financial Market Participants to include sustainability-related claims in the marketing communications of financial products referred to in Article 9a, provided that such claims are clear, fair and not misleading. It should be assessed whether an investment in categorised financial products (even to a limited extent) should, in itself, be considered sufficient to justify the inclusion of sustainability-related claims in marketing communications, considering the objectives of the framework and the need to prevent potential greenwashing. RO (Comments): We welcome the proposed changes in the text, especially regarding recital 23.
28. Do you see merit in extending the scope of Article 9a(1) to MOPs offering only internal funds not falling under the definition of financial products?	AT (Comments): No strong view. BE (Comments): we believe that cases where MOPs offer internal funds as a means of investing in certain financial products should be better captured in the text. However, we do not consider that this should be addressed by further complicating Article 9a. Rather, we believe that all internal funds should be brought within the scope of the regulation. In this respect, we refer to our previous written comments, in which we suggested the inclusion, in Article 2, of a definition of “financial product internal fund”, with a reference to the Solvency II Directive.

Questions	Comments
	"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); (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).** More generally, we believe that the article will gain clarity if MOPs are treated in a separate provision. At present, there is limited clarity on how the categorisation of individual options should affect the categorisation of the product as a whole. In our view, the categorisation should only occur at the level of the option. We suggest the inclusion of a new provision drafted as follows: ***Article 9b*** ***Multi-options products***

Questions	Comments
	1. For multi-options products, the information referred to in this Regulation shall be published for each option that is a financial product. **2. If an option claims that it invests in, among others, one or more financial product(s) that are categorised as sustainability-related financial products, financial market participants shall apply Article 9a at the level of the option**. CZ (Comments): CZ: Since internal funds are not offered and therefore cannot be bought directly on the market, we fear their inclusion may be excessive. DK (Comments): DK does not have any strong views on this topic for the moment. EL (Comments): EL: No strong view. ES (Comments): We see merit in extending the scope of Article 9a(1) to MOPs offering only internal funds not falling under the definition of financial products, provided that such funds invest in accordance with the categorisation criteria. This strikes the right balance: categorised treatment where all options meet the criteria, and disclosure under Article 9a(2) where they do not. FI

Questions	Comments
	(Comments): The extension of scope should be ok. If they are not financial products, they can be categorized and will fall under the 70% IT (Comments): Yes. We strongly agree. LT (Comments): Yes, we see clear merit in addressing MOPs, as this has been a recurring practical issue across Member States. Extending the scope to MOPs offering only internal funds can improve consistency and a level playing field across product structures, provided the internal funds/options meet the relevant categorisation requirements in substance. To avoid investor confusion, the framework should clearly specify how the assessment is made (e.g., at the level of investment options and then aggregated) and should ensure that any categorisation/claims reflect the actual composition of available options. NL (Comments): We are open to including MOPs that offer only internal funds not currently defined as financial products within the scope of Article 9a(1), provided they meet the 70% threshold and exclusion criteria. We believe this clarification would contribute to the overall consistency of the SFDR and play a role in preventing greenwashing and regulatory loopholes. MOPs could be eligible for categorisation when their investment options, whether categorised products or other investments meeting the category criteria, collectively meet the relevant requirements. In cases where MOPs include non-categorised internal funds that are not themselves financial products but do satisfy the categorisation criteria, these could be explicitly brought under Article 9a in both the recitals

Questions	Comments
	and operative text. Nevertheless, we believe it should be further clarified what an internal fund actually entails. Additionally, we wonder what the additional value of including these MOPs under article 9a(1) is, since communicating under Article 9a(2) is currently allowed. PL (Comments): PL: Yes. In addition if a given MOP product does not meet the definition of a "financial product", it may be worth clarifying the provisions to determine whether and to what extent such structures should be covered by the regulations. From our perspective, it is important that MOP-type products, including those in the insurance sector, are covered by Article 9a. This is particularly relevant in situations where a product offers multiple investment options. If only one of the available options meets the criteria set out in Article 9a, the entire product should not be presented as compliant with ESG criteria. The final proportion of ESG-compliant investments depends on the client's choice of allocation, and they may also decide to select options that do not meet these criteria. In this context, it seems reasonable to adopt an approach whereby, if an MOP product is to be presented as ESG-compliant, all the options available within it should meet the relevant requirements. An alternative solution would be to split a single MOP product into separate components. However, this could create uncertainty for clients regarding whether the final investment structure actually meets ESG criteria after the allocation choice has been made PT (Comments): We see little merit in this extension, which would add further complexity to a regime about which we already have some reservations. Moreover, bringing non-financial products within the scope of the article, would entail costs that ultimately will be borne by the Market Participants and investors. RO

Questions	Comments
	(Comments): We agree there are merits in extending the scope of art 9a1 SK (Comments): We preliminary do not oppose the proposed changes but we are still analysing them.
29. Do you see merit in limiting the scope of Article 9a(2) to financial products with meaningful investments in either categorised products or other investments meeting the categorisation criteria?	AT (Comments): We do not see the need to limit the scope of Art 9a (2) in any way. We also appreciate the clarifications regarding disclosure requirements for non-categorised products in the revised Article 9a (2); however, further clarification is still needed (see Q 27 and 30). BE (Comments): With respect tot the envisaged possibility for non-categorised financial products to claim that they invest at least partially in categorised financial products, we believe that disclosures for such products should not go beyond what is permitted under Article 6a. Accordingly, they should not be allowed to make any marketing claims relating to sustainability characteristics, with the sole exception of the possible inclusion of limited information in the KID. The mere fact that such products combine financial products, including categorised ones, does not make them more ambitious than a non-combining, non-categorised financial product that does not meet the 70% threshold. They should therefore be treated in the same manner in order to avoid any form of discrimination. CZ (Comments):

Questions	Comments
	CZ: We are not against the proposed amendments but we need further time for evaluation. DK (Comments): Regarding Article 9a(2), **DK still have concerns with favouring Funds-of-Funds structures and are not convinced why these products are permitted to make claims in their marketing communication, while other non-categorised products are not.** This would in practice mean that two products, having exactly the same underlying investments, could be treated differently depending only on their structure. DK does not see limiting the scope as suggested will solve the underlying issue as raised above. ***DK thus suggests deleting article 9a(2) altogether.*** EL (Comments): EL: ES (Comments): We support limiting the scope of Article 9a(2) to financial products with meaningful investments in categorised products or other investments meeting the categorisation criteria. Products with only marginal sustainability content should not be in a position to make sustainability-related claims in their marketing communications. FR (Comments):

Questions	Comments
	The proposed drafting broadens the scope of Article 9a(2) in particular through the introduction of the second alternative "*For non-categorised financial products which claim that they invest in sustainability-related financial products or make other investments that meet the requirements of Articles 7(2), 8(2) or 9(2*". In our view, this extension raises important concerns. A non-categorised product could, for instance, make a marginal investment in a company with a transition plan and, on that basis alone, fall within the scope of Article 9a(2) and communicate on ESG characteristics, as currently permitted under Article 13(3). This would lead to a significant dilution of the overall ambition of the framework. Furthermore, the policy option referred to in Q29, which would require a "meaningful" proportion of investments, would introduce a second layer of categorisation among non-categorised products. This would amount to creating a de facto new category of products characterised by "meaningful investments in categorised products". In addition, the notion of "meaningful" remains ambiguous and difficult to assess in the absence of further specification. We recommend limiting, to the greatest extent possible, the scope of products covered under Article 9a(2), in order to preserve a level playing field across comparable products. In particular, the application of Article 9a(2) should be restricted to MOPs and other pension products mentioned in Recital 23. IE (Comments): No IT (Comments): We generally agree with the proposal, as it contributes to preventing potential

Questions	Comments
	greenwashing risks related to claims made by non-categorised products. LT (Comments): We understand the objective and see merit in preventing Article 9a(2) from being used as a "soft label" based on immaterial exposures. However, the concept of "meaningful investments" would need to be defined in a clear and workable way; otherwise it risks divergent interpretation and could also reduce transparency if relevant exposures become harder to communicate. If this limitation is introduced, we would prefer it to be linked primarily to the ability to rely on the Article 13(3) marketing derogation, while still allowing factual disclosure of portfolio composition. In addition, any materiality criterion should be operational and harmonised (rather than left to ad hoc national interpretation). NL (Comments): The Netherlands is positive of art. 9a (2) as per the drafting suggestion proposed by the Presidency. We welcome art. 9a (2)'s application to sustainability related investments or other investments meeting the criteria of articles 7 (2), 8 (2) and 9 (2). PL (Comments): PL: Yes. In principle we support further clarification of which types of financial products would fall within the scope of this provision. Where a financial product invests indirectly through other financial products, in our view the relevant share of investments should reflect the actual, ultimate exposure to investments meeting the relevant ESG criteria. In practice, this means that the assessment should take into account the full investment chain and the final allocation of assets, rather than relying only on the first layer of investment.

Questions	Comments
	Otherwise, there is a risk that a product could appear to have a significantly higher level of ESG alignment than is effectively the case at the level of the underlying investments. From the perspective of investor protection and transparency, it is important that disclosures reflect the real level of exposure to investments meeting the relevant criteria, rather than an aggregated or indirect share that may overstate the ESG characteristics of the product PT (Comments): Yes. This would clarify the relationship between article 9a(2) and article 13(3)(2nd paragraph), which allows Financial Market Participants to include sustainability-related claims in the marketing communications of financial products referred to in Article 9a, provided that such claims are clear, fair and not misleading. As mentioned in previous comments, it should be assessed whether an investment in categorised financial products should, in itself, be considered sufficient to justify the inclusion of sustainability-related claims in marketing communications, considering the objectives of the framework and the need to prevent potential greenwashing. If we limit the scope of Article 9a(2) to financial products with meaningful investments in either categorised products, than the use of sustainability-related claims in the marketing communications is justified. RO (Comments): We have no strong opinion at this stage, but we are flexible and open for further discussions.
30. Do you have other drafting suggestions?	AT (Comments): We have a question concerning a MOP in line with Art 9a(2) comprising of categorised and non-categorised products. Would consumers choose the

Questions	Comments
	categorised financial product in such a MOP benefit from the same transparency rules as when buying a standalone categorised financial product (i.e. not part of a multi-option product) or does this result in unequal treatment? BE (Comments): No additional drafting suggestions. We refer to our proposal under question 28 to have a specific provision for MOPs and to include internal fund in the definition of article 2. CZ (Comments): CZ: Not at the moment. DK (Comments): DK does not have any other drafting suggestions for the moment. EL (Comments): EL: We do not have any other drafting suggestions. ES (Comments): On discretionary portfolio management, we support allowing FMPs to rely on information from mandated portfolio managers, as proposed in Article 9a(3). We would flag the importance of making clear in the text that this is not about extending SFDR obligations to portfolio managers who are outside the scope of the Regulation, but about enabling a workable pass-through of information

Questions	Comments
	for the FMP that is in scope. That distinction should be explicit in the operative text. FR (Comments): The current drafting of Article 9a(3) does not provide sufficient clarification with regard to portfolio management. Certain key elements, such as the minimum level of ambition of investment strategies and ESG-related periodic disclosures, are not covered by MiFID, which primarily focuses on the distribution process. As a result, the current proposal risks creating a loophole and leading to discrepancies between financial products and managed portfolios with ESG features. IE (Comments): No NL (Comments): As a final, more general remark on article 9a, we would like to add that if the idea of the article would be to focus solely on MOPs, we would be opposed. We would welcome a broader scope than MOPs only. PL (Comments): PL: Below, we present our entire proposal of Article 9a drafting (it concerns the title, paragraph 1 and paragraph 2; we accept proposals in paragraph 3): Article 9a Non-categorised financial products that claim to be sustainability-related financial products due to investments in categorised financial products

Questions	Comments
	1. Non-categorised financial products that invest in categorised financial products, and therefore claim to be sustainability-related financial products, shall be deemed to be sustainability-related financial products if: a) they meet the 70% threshold referred to in Articles 7(1)(a), 8(1)(a) or 9(1)(a) by way of investments in categorised financial products within a single category, or in any combination of different types of categorised financial products, or related to categorised financial products in any other way; and a) they comply with the exclusions referred to in Articles 7(1), 8(1) or 9(1) – for their entire portfolio. For the purposes of the first subparagraph, other investments that meet the requirements of Articles 7, 8 or 9 may include investment options offered as part of a PRIIP as referred to in Article 10 of Commission Delegated Regulation (EU) 2017/653. By the applicable choice of investments: a) financial products referred to in the first subparagraph investing solely in financial products categorised in accordance with Article 9 or making investments referred to in Article 9(2) shall be considered sustainability-related financial products under Article 9(1); b) financial products referred to in the first subparagraph investing solely in financial products categorised in accordance with Articles 7 or making investments referred to in Article 7(2) shall be considered sustainability-related financial products under Article 7(1); c) financial products referred to in the first subparagraph investing in financial products categorised in accordance with either Articles 7, 8 or 9 or making investments referred to in Article

Questions	Comments
	8(2) shall be considered sustainability-related financial products under Article 8(1). Financial market participants shall ensure that the claims associated with financial products referred to in the first subparagraph align with their categorisation according to this paragraph. For the purposes of assessing eligibility for a category as referred to in Articles 7 to 9, financial market participants may rely on the information disclosed in relation to their investments in, or exposure to, financial products categorised in accordance with those Articles. 2. For non-categorised financial products referred to in paragraph 1 the information to be disclosed pursuant to Article 6(3) shall include: a) the composition of this non-categorised financial; b) the relative share of the underlying sustainability-related financial products referred to in the fourth subparagraph of paragraph1 and other investments that meet the requirements of Articles 7, 8 or 9; c) share of the non-categorised financial product to which point (b) does not apply; d) the objective, strategy and applicability of any exclusions applicable to the share of the products referred to in point (c) of this subparagraph. For the purposes of the first subparagraph, other investments that meet the requirements of Articles 7, 8 or 9 may include investment options offered as part of a PRIIP as referred to in Article 10 of Commission Delegated Regulation (EU) 2017/653. For the purposes of the first subparagraph, financial market participants may rely on the information referred to in Article 7(3), Article 8(3) and Article 9(3). PT (Comments): N/A.

Questions	Comments
	RO (Comments): No
31. Do you agree with the changes proposed above?	AT (Comments): Yes, we in general agree with the proposed changes to Article 4. Nevertheless, decisions on timelines should only be taken once the discussion on the substance has been largely concluded BE (Comments): We agree with extending the date of application to 24 months after the entry into force, as well as with allowing the direct application of the changes in scope and the removal of certain disclosures at entity level. Furthermore, we consider that it is important that delegated regulations are available in time before the date of entry into application of the amending SFDR regulation, to ensure legal certainty and to help reduce unnecessary future compliance costs. BG (Comments): **BG**: We agree the date of application to be extended 24 months after entry into force and to apply deleted obligations on entity-level disclosures and financial advisers, as of entry into force, for immediate relief/effect CZ (Comments): CZ: We can agree to the 6 months extension and we are not against facilitating for the deletion of obligations for entity-level disclosures and financial advisors.

Questions	Comments
	DE (Comments): DE Yes DK (Comments): **DK agrees with the proposal to extend the application date from 18 to 24 months**, in order to ensure sufficient time for the Commission to develop SFDR 2.0 level 2 and to amend the existing MiFID/IDD level 2, so that all level 2 measures can apply simultaneously. Furthermore, **DK agrees to have the deletion of provisions for entity level disclosures and financial advisors to apply already from entry into force,** thereby "relieving" burdens on FMPs as soon as possible. However, as a minor comment to the legal drafting, we believe the specific references to "points" should more correctly be to "letters"? Regarding the transitional provision in Article 19a, **DK does not support allowing for a transitional period for certain products** for several reasons. First of all, this would create a confusing interim time between SFDR 1.0 and SFDR 2.0 where different rules would apply to different types of products. Secondly, by extending the application date to 24 months FMPs would already have about 12 months to adjust their products to the new rules, assuming that the necessary level 2 regulation would be in place at the latest 12 months after entry into force. Finally, article 7-9(3)((c)) specifies that FMPs shall disclose a description of any applicable phase-in period for the product to reach the threshold referred to in paragraph 1, point (a), following the period necessary to implement the investment strategy. It is therefore our understanding that it

Questions	Comments
	is already a possibility for all financial products to have a phase-in period for the 70% threshold which makes the transitional provision in article 19a less relevant. Even if article 19a were to be kept, it is unclear to us how it would work in practice as it is drafted now. From our reading, FMPs would still be subject to the rules on voluntary disclosures or marketing communication and naming in article 6a and article 13, as article 19a only refers to the articles 7-11 for the pension products. This would mean that these products would still be subject to the restrictions on disclosures, marketing and naming, in which case we don't see how these products would even benefit from the current drafting of article 19a. If on the other hand article 6a and article 13 were included in the transitional provision in article 19a these products would not be subject to any restrictions on marketing communication and naming in the 12 months between the application date of SFDR 2.0 and the end of the transitional period, not even the current rules in SFDR 1.0. ***DK thus suggests deleting Article 19a altogether***. EE (Comments): Yes. We would also support alignment of timing of Level 2 to Level 1. The Level 2 should be ready (with sufficient time left for market participants to implement it) in order for Level 1 to take effect. EL (Comments): EL: We agree with the extension of application date to 24 months. ES (Comments):

Questions	Comments
	We broadly support extending the date of application, with an important caveat on sequencing. A single 24-month application date does not adequately address the preparation challenge if delegated acts — templates, methodologies, disclosure formats — are not available until shortly before that date. We have therefore proposed: - first, a binding deadline in Article 19b requiring the Commission to adopt all delegated acts no later than six months after entry into force, so that market participants have in practice a minimum of twelve months to prepare once the full framework is in place; and - second, a differentiated application mechanism in Article 4, whereby the disclosure obligations under Articles 7(3), 8(3) and 9(3) and the 70% threshold obligations under Articles 7(1), 8(1) and 9(1) would only become fully enforceable once the relevant templates and harmonised methodologies are available to market participants, and in any event no sooner than 18 months and no later than 24 months after entry into force. We have also proposed a recital committing the Commission to adopting the necessary amendments to MiFID Level 2 rules on sustainability preferences with sufficient advance notice before the SFDR 2.0 application date. **In this regard, we would recall that we submitted concrete drafting suggestions for consideration following the February meeting**, covering both the binding deadline in Article 19b and the differentiated application mechanism in Article 4. We invite the Presidency and other delegations to consider those proposals as a basis for further discussion on these points. FI (Comments): Yes. The application after 24 months after entry into force seems appropriate. We'd like to emphasize the need to take into account L2 changes.

Questions	Comments
	We also agree with applying immediate effect for deleted obligations on entity-level disclosures and financial advisers (i.e. as of entry into force) IT (Comments): We support the proposed changes to art. 4 and further reiterate our support for a grandfathering mechanism for existing products, through a well-designed transition period, with clear and sequential steps, as it would facilitate the shift from SFDR 1.0 to SFDR 2.0. However, such a mechanism should be limited in time to safeguard investor protection. Nevertheless, as a second-best option, we believe that closed-ended insurance products - as defined under art. 2, par. 1, point (3) - created and distributed before the date of application should be exempted. Due to the mutuality principle that characterises insurance products, we believe that a grandfathering provision should be introduced for products under the existing regime (Article 8 and 9) that were created before the application date but are still being distributed. Of course, subject to a time limit. LT (Comments): We support the proposed approach. Allowing a 24 month period between entry into force and application would provide financial market participants with sufficient time to adapt their systems, documentation and investment strategies to the new framework. At the same time, applying certain provisions upon entry into force could provide immediate regulatory relief where appropriate. We also acknowledge that further discussion may be needed on the treatment of transitional arrangements and grandfathering in order to ensure clarity and avoid unintended market distortions. NL (Comments): The Netherlands does not oppose the proposed changes. We believe that a 24-month adjustment period after the Regulation enters into force could be

Questions	Comments
	warranted provided that there are clear indications that a shorter period would bring issues for the market. In addition, we are cautious with being too lenient when it comes to grandfathering, as this could invite strategic behavior and create parallel regimes. Last but not least, when it comes to implementation, our priority is with preventing that financial market players already need to comply with level 1 obligations if level 2 obligations relevant for that compliance are not yet in place. The 24-month adjustment period seems sufficient to achieve this. PT (Comments): We can broadly support the proposed changes, while considering that some caution is warranted as regards both the application timeline and the transitional arrangements. As regards the extension of the application period to 24 months after entry into force, we maintain the preference for an 18-month period, which we consider better aligned with the objective of simplification and with the need to address current market constraints without undue delay. That said, in a compromise-oriented spirit and in the interest of regulatory stability, we are open to considering a 24-month timeline. RO (Comments): As mentioned in the previous meeting, we support extending the date of application to 24 months or even more after entry into force. SK (Comments): We agree with the proposed changes to Art. 4 of the proposal.
32. Do you have comments on the Swedish non-paper on the review of SFDR?	AT

Questions	Comments
	(Comments): Yes. The simultaneous application of SFDR Level 1 and 2 measures and also MiFID/IDD Level 2 delegated acts appearsto be crucial for a consistent and feasible framework and a new recital in this manner is supported. We also support the wish for clarification on the conditions under which general-purpose sovereign debt instruments will be included in the numerator of Article 8 funds. We further share the request to clearly specify which "available methodologies" are acceptable to demonstrate the integration of sustainability criteria into such instruments. We do not support the alternative proposed by Sweden to exclude general debt instruments from public issuers from both the numerator and the denominator of Article 8 funds, which would effectively create a general exemption from the Article 8 rules for public issuers. BE (Comments): As noted also by Sweden and mentioned under the previous question, we support a sequencing allowing the entry into force of level 1 and level 2 regulation at the same time but allowing the direct application of the changes in scope and the removal of certain disclosures at entity level. BG (Comments): **BG**: Regarding the treatment of general issuances from public sector, we support the proposal to exclude general issuances from public sector bodies from both the numerator and denominator when calculating the 70% threshold across all three categories (Articles 7, 8 and 9). This would ensure consistency with GAR under the Taxonomy regulation. In addition, the alternative approach to introduce positive criteria or exclusion criteria (as in the

Questions	Comments
	Commission proposal) would introduce additional complexity for financial market participants which is against the simplification initiative. CZ (Comments): CZ: We could agree to the more dynamic nature of transition category, as proposed. We agree with the L1 and L2 synchronisation, if feasible. We are satisfied with the Commission´s explanation on MOPs (70 % threshold). DE (Comments): DE Please refer to our answers on the corresponding sections in this questionnaire. Additionally, we support the introduction of a recital focussing on the sequencing of relevant Level 2 measures. DK (Comments): Regarding general-purpose sovereign debt, our understanding so far has been that it can be included in the numerator of the ESG Basic category if it satisfies one of the investment approaches in art. 8(2)(a)-(e). This was also our impression from the latest CWP. We therefore do not see a need for further clarification. We also have concerns regarding the proposal to neutralize sovereign debt from both numerator and denominator. This would in practice make it easier for a product to meet the 70% threshold by consisting primarily of sovereign debt which would not have to be included in the actual calculation. Regarding the **transition category**, DK agrees with SE that it should ideally have a stronger transition focus to reach its purpose. We therefore see merit in removing the references to PAB and article 9(2) for the transition category.

Questions	Comments
	Regarding **underperforming assets**, DK does not see a need to introduce further requirements on how underperforming assets in terms of the sustainability objective should be addressed by the FMP. We believe that it should be up to NCA's through their risk-based supervision to monitor and follow up on FMPs efforts to address underperforming assets and whether their investments continue to meet the criteria of the category of the product. Furthermore, DK does not believe that mandatory indicators should be introduced for FMPs to measure their progress towards the sustainability objective (for the contribution criteria). While we agree with the intent to harmonize and ensure comparability, we are concerned that it would in practice not be possible to ex-ante specify mandatory sustainability-related indicators as the sustainability objective of a product can vary widely between products. Lastly, DK supports the proposal to include a **new recital** to highlight the importance of ensuring that Level 2 delegated acts (including MiFID/IDD) apply simultaneously with Level 1 measures. EE (Comments): We feel positive towards solving the issues raised in Swedish non-paper EL (Comments): EL: We see merit in ensuring that Level 2 delegated acts (including MiFID/IDD sustainability preferences) must apply simultaneously with Level 1 measures is of crucial importance, and adding a new recital to enshrine the importance of this synchronisation at Level 1. There are several points we are still examining. FR

Questions	Comments
	(Comments): We share most of the views expressed in this non-paper. With regard to long-term savings products in the pension and insurance sectors, we concur with the assessment of the challenges faced by traditional life insurance products. In this context, further clarification would be warranted on how sovereign bonds can be appropriately incorporated into the ESG Basics category, alongside additional flexibility for the Transition category in particular. We also agree with the need to better accommodate real and alternative assets, which lies at the core of our proposal for an "limited" open approach. Finally, with respect to the use of PAI indicators and the treatment of underperformance, we fully support the proposed approach. We also support the call to synchronise both SFDR level 1 and level 2 and MiFID/IDD at level 2 on sustainability preferences. HU (Comments): We can be flexible and supportive regarding the Swedish proposals on the transition category outlined in point 2 of the non-paper. Also, **from a climate policy perspective**, we could support the climate related elements in the Swedish and Spanish non-paper documents. IT (Comments): We share Sweden's concerns regarding the impact that the current formulation of the SFDR review proposal—particularly the exclusion of sovereign bonds

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	from the numerator of Articles 7 and 9, combined with the uncertainty surrounding their treatment under Article 8—may have on insurance and pension products. In this regard, we find Sweden's proposal to explicitly clarify, already at Level 1, the conditions under which sovereign bonds may qualify for inclusion in the numerator of the "ESG Basics" category (Article 8) to be a sound one, as it would ensure legal certainty and consistency within the regulatory framework. At the same time, we consider it appropriate to carefully assess the possibility of neutralizing general-purpose government bonds—by excluding them from both the numerator and the denominator—as a potential solution to avoid unintended distortions and to ensure fair treatment for products that, for prudential reasons, hold a significant share of sovereign bonds. Furthermore, we could support the introduction of an explicit reference in the legal text to alternative and real assets within the definition of "other investments.", as previously noted in Q17. LT (Comments): We appreciate the Swedish non-paper and agree with several practical points it raises, while emphasising that the integrity of the categories should be preserved and the bar should not be lowered simply due to portfolio structure. 1. Long-term savings products / structural portfolios We recognise Sweden's point that many long-term savings portfolios have structural exposures (including to public debt). At the same time, we do not think this should result in lowering category requirements. The framework should remain principle-based and credible. We are open to consider alternative ways forward, e.g. introducing two tiers within the ESG category framework, where lower threshold (e.g. 50%) could provide a workable classification route for products that face structural constraints (including

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	prudential requirements and high allocations to certain asset classes) and may not realistically meet higher thresholds, while still enabling them to be transparently categorised under SFDR. 2. Transition category design We do not see a major issue with the fact that the Transition category is not limited to PAB-only approaches. A broader set of credible transition approaches can be beneficial and can better support transition finance, provided that credibility requirements and exclusions remain robust and verifiable. 3. Indicators, underperformance and PAI-based evidence We agree that clearer expectations on indicators and underperformance are important, and we support using a limited, proportionate set of PAI-based indicators as a practical evidence base. This can strengthen comparability and help ensure that sustainability claims consider trade-offs and "do no significant harm" aspects, while avoiding excessive burden. 4. Synchronised implementation and legal certainty We strongly agree on the importance of synchronised implementation to avoid prolonged uncertainty and fragmented practices. Timely delivery of the supporting measures and consistent investor-facing communication requirements are essential for an orderly transition. At the same time, we would be cautious about embedding very detailed technical solutions directly into Level 1 text; the framework should remain clear and proportionate while allowing methodologies to develop in a workable and adaptable way. LU (Comments): **LU** supports the point on sequencing of L1/L2 Texts and the alignment of related pieces of legislation. LU supports the approach suggested in the draft new Recital. We also refer to the Council conclusions on simplification adopted on 12 December 2025 whereby "coordination, timing and sequencing in the implementation of legislative acts should be improved in order to reduce

Questions	Comments
	the implementation burdens" and to which our political leaders have committed to. In order to ensure legal certainty and regulatory stability, we strongly recommend to expressly subject the implementation of certain Level 1 provisions to the entry into force of the related Level 2 Act, notably as regards new reporting or disclosure obligations. Recent precedents to that effect have been identified in the PSD2, CSDR and the DLT Pilot Regulation. We may share drafting suggestions in due course. NL (Comments): We are still analyzing this non-paper and take note of the concerns of Sweden with regards to the treatment of sovereign bonds, because this is an important for the Netherlands as well. PL (Comments): PL: We appreciate that Sweden and Spain have raised the issue of how public debt – including government bonds – should be treated under the proposed revision of the SFDR. This issue has significant practical implications, particularly in light of the regulatory requirements already in place for financial institutions. A number of them – primarily insurance companies and institutions managing occupational pension schemes – are de facto required to maintain significant exposure to debt instruments issued by public sector entities. It seems that overlooking this specific aspect in the discussion on the SFDR would be a significant oversight. We agree with and share the observations presented by Sweden. The Commission's current proposal does not contain sufficiently precise criteria regarding the treatment of general public debt issues. Consideration should be given to the proposed solution, under which general issues by public sector entities could be excluded from both the numerator and the denominator when

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	calculating investment thresholds across all product categories. Such an approach – supplemented by the proposed requirement for financial market participants to disclose what percentage of their portfolio consists of government bonds and the regulatory basis for holding them –appears consistent with the logic of the system and is worth considering. [Moreover, given the importance of sovereign debt for IBIPS-compliant life insurance products (e.g., long-term participating life insurance) and pension products, we advocate excluding EU government bonds (with the exception of the use of proceeds) from both the numerator and the denominator.] The purpose of the changes aimed at including financial products that invest in bonds in the disclosure system should be solely to ensure greater transparency for consumers, and not to create room for preferential treatment of this class of financial products. Furthermore, any changes to the treatment of public debt must not lead to a situation in which a new category of financial products emerges with entirely separate rules for calculating the 70% threshold. To date, the SFDR has struggled with excessive legislative complexity and unclear regulations, affecting both market participants and supervisors. While substantively justified, any potential exclusion of public debt when calculating the threshold should be implemented in the simplest possible way, without creating new calculation categories. In this context, the proposal in the Swedish document – simply offsetting exposure to public debt in both the numerator and the denominator – is, from a technical standpoint, a more transparent solution that is less susceptible to regulatory arbitrage than the elaborate eligibility pathways based on an assessment of the issuer's methodology proposed in the Spanish document. In our view, establishing clear conditions for when to exclude or include sovereign debt would not be feasible. This legislative challenge has already

Questions	Comments
	been addressed in the current SFDR/SFDR DR, with sovereign debt ultimately being excluded from portfolio composition disclosures. Regarding the transitional category, we support the comments and justification presented in the Swedish non-paper to distinguish it more clearly from the sustainable category and ensure more measurable objectives. Furthermore, to avoid precluding a transition from coal to more modern coal solutions, we suggest removing references to point (d) of Article 12(1) of Commission Delegated Regulation (EU) 2020/1818 in Article 7(1) of SFDR 2.0. We also consider the observation in point 4 of the Swedish document to be valid regarding the need for full temporal synchronisation between the entry into force of Level 1 provisions and the application of the delegated acts necessary for the Regulation to function. Discrepancies between the application dates of the various regulatory tiers make it difficult for consumers, supervisors and financial market institutions to interpret the applicable requirements. PT (Comments): N/A. RO (Comments): No comments at this stage. SI (Comments): We agree with the concerns raised regarding the practical treatment of sovereign debt and alternative assets, and support further work to ensure that the framework remains operational for long-term savings products while maintaining its integrity. SK

Questions	Comments
	(Comments): We welcome Swedish non-paper. We consider some of the remarks very useful, especially treatment of public debt and real assets.