

Review of Regulation (EU) 2019/2088 on sustainability-related disclosures in financial services

This briefing is one in a series of implementation appraisals produced by the European Parliamentary Research Service (EPRS) on the operation of existing EU legislation in practice. Each briefing focuses on a specific EU law that is announced to be amended or reviewed in the European Commission's annual work programme. Implementation appraisals aim at providing a succinct overview of publicly available material on the implementation, application and effectiveness to date of that specific EU law, drawing on input from EU institutions and bodies, as well as external organisations.

SUMMARY

In line with the European Green Deal, the Paris Agreement and the UN 2030 Agenda for Sustainable Development, the EU's sustainable finance framework aims to steer financial sector capital towards the transition to a more sustainable, low-carbon, resource-efficient and circular economy. Further to the 2018 action plan on sustainable finance, [Regulation \(EU\) 2019/2088](#) on sustainability-related disclosures in the financial services sector (the Sustainable Finance Disclosure Regulation, or SFDR) was adopted in 2019 to enhance transparency, combat greenwashing and align financial markets with the EU's climate goals and the UN sustainable development goals to which the EU is committed.

In a comprehensive assessment of the SFDR conducted by the European Commission in 2023, stakeholders expressed strong support for the regulation, but many identified a number of shortcomings in its implementation. These included a lack of legal clarity, limited relevance of certain disclosure requirements, inconsistencies with other sustainable finance legislation (such as the Corporate Sustainability Reporting Directive ([CSRD](#)) and the [Taxonomy Regulation](#)) and difficulties in securing good-quality data. In light of these findings, in its 2025 work programme the Commission announced its intention to revise the SFDR in Q4 2025, with the proposal currently scheduled for publication on 19 November. It is expected to clarify key concepts, ensure regulatory coherence across the EU sustainable finance framework, and address the categorisation of financial products.



Background and existing EU policy framework

Steering private capital towards sustainable investment – from action plan to regulation

The EU's transition to a more sustainable, low-carbon economy started several decades ago, gathering momentum with the signature of the Paris Agreement and the adoption of the UN 2030 Agenda for Sustainable Development in 2015. At the time, to achieve the EU's 2030 climate and energy targets agreed in Paris, including a 40 % reduction of greenhouse gas emissions, required significant additional investments beyond those provided by the public sector.

With a view to **mobilising and redirecting private capital flows towards sustainable investments** (also referred to as [sustainable finance](#)), the Commission published, on 8 March 2018, an [action plan on sustainable finance](#). Building on the [final report](#) of the [High-Level Expert Group on sustainable finance \(HLEG\)](#) – a group of experts from civil society, the financial sector, academia and observers from EU and international institutions established in 2016 – the action plan set itself three main objectives: i) to re-orient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth; ii) to manage financial risks stemming from climate change, natural disasters, environmental degradation and social issues; and iii) to foster transparency and long-termism in financial and economic activity.

Besides establishing an [EU taxonomy](#) – that is, an EU classification system of climate, environmentally and socially sustainable economic activities – and reinforcing non-financial reporting by companies under Directive (EU) 2014/95/EU (also known as the [Non-Financial Reporting Directive](#) (NFRD)),¹ the action plan also sought to **strengthen sustainability considerations in financial advice provided by institutional investors and asset managers to end-investors** (considering that investment firms and insurance distributors can play a central role in reorienting the financial system towards sustainability). Under Action 7, the Commission therefore announced 'a legislative proposal to clarify institutional investors' and asset managers' duties in relation to sustainability considerations ...', requiring them to integrate sustainability considerations in the investment decision-making process and disclose to end-investors how they do this. Through increased transparency, end-investors should be enabled to assess companies' long-term value creation and exposure to sustainability-related risks. In May 2018, the Commission published the announced [proposal](#).

On 27 November 2019, [Regulation \(EU\) 2019/2088](#) on sustainability-related disclosures in the financial services sector (also known as the **Sustainable Finance Disclosure Regulation (SFDR)**) was adopted. The regulation aimed, in particular, to enhance transparency, combat [greenwashing](#) and align financial markets with the EU's climate goals and the UN Sustainable Development Goals, to which the EU is committed (see details in the Sub-section on 'Main provisions of Regulation (EU) 2019/2088 (SFDR)').

In its 2019 [European Green Deal \(EGD\)](#), the Commission reiterated the importance of sustainable finance for achieving sustainable growth, the green transition and the [EU's 2050 climate neutrality objective](#), while highlighting the need to adopt a fresh approach to financing sustainable growth. Responding to this need, in July 2021 the Commission published the renewed [strategy for financing the transition to a sustainable economy](#), which included a [review](#) of the technical standards under the SFDR, clarifying indicators for both climate- and environment-related principal adverse impacts

('PAIs'), as well as PAIs in the areas of social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

In December 2022, Commissioner Mairead McGuinness announced a **comprehensive assessment of the SFDR** to identify potential shortcomings – focusing on legal certainty, the useability of the regulation and its ability to play its part in tackling greenwashing. On 14 September 2023, the Commission launched two consultations (a public and a targeted one) to assess the implementation of the SFDR (see details under the Section on 'European Commission reports and consultations' below).

Based on the outcome of the consultation, the Commission announced a **revision of the SFDR** in its [2025 work programme](#), with the legislative proposal scheduled for publication in Q4 2025. On 2 May 2025, the Commission launched a [call for evidence](#) (CfE) for an impact assessment (see details under the Section on 'European Commission reports and consultations' below).

It is worth noting that the SFDR is closely interlinked with [Regulation \(EU\) 2020/852](#) (the Taxonomy Regulation) and [Directive \(EU\) 2022/2464](#) (the Corporate Sustainability Reporting Directive (CSRD), successor to the NFRD). These pieces of legislation are part of the EU's [sustainable finance framework](#) (a cornerstone of the EGD, aiming to integrate environmental, social and governance (ESG) considerations into the EU's financial system). The **SFDR can only fully meet its objectives if there is more and better non-financial information available** – something that might conflict with the Commission's current [simplification agenda](#), which aims to reduce reporting obligations for companies, including with respect to ESG reporting.²

Main provisions of Regulation (EU) 2019/2088 (SFDR)

The [SFDR](#) entered into force on 29 December 2019 and has been applied since 10 March 2021.

As explained in its recitals, the SFDR aims to **strengthen protection of and improve sustainability-related disclosures to end-investors** by financial market participants (FMPs) and financial advisors (FAs), thereby steering capital towards sustainable investment. According to Recital 8, considering '...the catastrophic and unpredictable consequences of climate change, resource depletion and other sustainability-related issues, urgent action is needed to mobilise capital not only through public policies but also by the financial services sectors'. Considering the divergent national rules and market practices, harmonised EU rules on sustainability-related disclosures should be adopted to address market fragmentation, level the playing field and make it easier for investors to compare financial products (Recital 9).

Article 1 of the SFDR therefore 'lays down harmonised rules for financial market participants and financial advisers on transparency with regard to the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and the provision of sustainability-related information with respect to financial products'. The SFDR requires **disclosures at two levels: at the entity level** (i.e. FMPs and FAs, **Article 3**) **and at the level of individual financial products (Article 6)**. Importantly, however, the SFDR does not itself require the integration and management of sustainability risks, but only requires disclosure of how such risks are integrated in the investment decision-making process or in the provision of investment advice, and how this information is disclosed to end-investors. At the level of financial products, FMPs and FAs must also assess the **likely impacts of sustainability risks on the returns of financial products** they make available or advise on. Where FMPs and FAs deem that sustainability risks are not relevant for a certain financial product, they are required to explain why (Article 6(1) and (2)).

While disclosures on the integration of sustainability risks provide transparency on how FMPs (and FAs) consider the impacts of ESG factors on the value of a financial product (also referred to as **financial materiality**), **Article 4(3)** requires **large FMPs with over 500 employees** to disclose **the principal adverse impacts ('PAIs')** of investments on sustainability factors at the entity level (also known as **impact materiality**) and their due diligence policies with respect to those impacts.³ If an FMP discloses PAIs at the entity level, it must also disclose whether, and if so how, this information is taken into account at the product level (**Article 7**). [Delegated Regulation \(EU\) 2022/1288](#) (also known as the SFDR Delegated Regulation) sets out a list of mandatory PAI indicators. These include environmental indicators (such as greenhouse gas emissions, the carbon footprint or pollutant emissions to water), as well as social indicators (such as investee companies' violations of the [UN Global Compact](#) and [OECD Guidelines](#), metrics on the gender pay gap, and gender diversity on company boards).

Articles 8 and 9 lay down disclosure requirements for **financial products with varying levels of sustainability ambition**. For **financial products that promote environmental or social characteristics**, **Article 8** requires FMPs to disclose not only information on sustainability risks but also how these characteristics are achieved, using suitable indicators to assess performance. While further details are set out in the SFDR Delegated Regulation, the terms 'environmental or social characteristics' and their 'promotion' are not further defined, resulting in divergent practices.⁴

For **financial products having sustainable investment as their objective**, **Article 9** requires FMPs to designate appropriate indicators to measure achievement of the objective(s). While FMPs are in principle free to choose these indicators, EU climate transition benchmarks (CTBs) or EU Paris-aligned benchmarks (PABs), as set out in [Regulation \(EU\) 2019/2089](#) and defining yearly emission reduction targets for investee companies within a portfolio, have to be followed for products whose sustainable investment objective is CO₂ emissions reduction (Article 9(3)). **Article 2(17)** defines '**sustainable investment**' as investment in an economic activity contributing to an environmental or social objective, or in human capital or economically or socially disadvantaged communities. In addition, sustainable investments must not significantly harm any of these objectives. Furthermore, investee companies must follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance (with good governance also being a requirement for products under Article 8). The definition also provides an indicative list of indicators to measure the achievement of environmental objectives (such as the use of energy, the production of waste and greenhouse gas emissions, or the impact of the investment on biodiversity) and social objectives (such as an investment contributing to tackling inequality or fostering social cohesion, social integration and labour relations).

It is worth noting that, according to Article 6, FMPs and FAs must **disclose how sustainability risks are integrated** into their investment decisions or advice regarding **all of their financial products, regardless of their sustainable nature**, and how these risks may affect returns. By contrast, only products with a sustainable investment objective require mandatory disclosures of PAIs (Article 9). For products that promote environmental or social characteristics (Article 8), FMPs and FAs may provide PAI disclosures, but they are not legally obliged to do so. As **Article 6 products** constitute **42 % of the current EU fund market**, end-investors are not aware of the potential adverse sustainability impacts of a significant portion of the financial products. Moreover, **Article 8 products** currently **clearly outnumber Article 9 products that have a sustainable investment objective**, with the former representing **55.2 %** and the latter only **2.9 %** of assets.⁵

Finally, **Article 19** contains a review clause requiring the Commission to carry out, by 30 December 2022, an ex-post evaluation of the application of the regulation, considering, in particular, whether the threshold of 500 employees should be maintained and whether the functioning of the regulation is inhibited by the lack of data (or the suboptimal quality thereof).

European Commission reports and consultations in preparation of the revision

Despite the requirement to carry out an ex-post evaluation by the end of 2022, the **Commission has not yet completed this evaluation**. According to the CfE, an ex-post evaluation of the SFDR will be included as an annex in the impact assessment for the upcoming revision of the SFDR. This 'back-to-back' exercise, involves presenting the ex-ante impact assessment for the revision at the same time as the ex-post evaluation of the legislation to be revised.⁶

On **14 September 2023**, the Commission launched a comprehensive assessment of the SFDR. This assessment included technical workshops with industry and engagement with Member States, supervisors and civil society. Furthermore, **two simultaneous consultations** were launched regarding the implementation of the SFDR: a [public consultation](#) and a [targeted consultation](#).

The **public consultation** consisted of **two thematic sections**, with questions on the current requirements of the SFDR and the SFDR's interaction with other sustainable finance legal instruments. The **targeted consultation** included **two additional sections** on potential changes to the SFDR's disclosure requirements for FMPs, as well as the potential establishment of a categorisation system for financial products.

On 3 May 2024, the Commission released a [summary report](#) of both consultations' findings. The report primarily drew on the targeted consultation, which received 324 responses, predominantly from FMPs and FAs (63 %), but also from non-governmental organisations (NGOs) (11 %) and other stakeholders. Additionally, the summary report integrated the answers of 51 respondents that replied solely to the public consultation.

The first common section of the report, dealing with the current requirements of the SFDR, noted that the majority of respondents **strongly supported the SFDR's overall objectives**, agreeing that an EU-wide disclosure framework is 'more effective and efficient' than potential domestic measures. However, many respondents also highlighted some **crucial limitations of the SFDR**, including the limited effectiveness of disclosures for investors, the ambiguity surrounding SFDR requirements and concepts such as 'sustainable investment', as well as data gaps. Respondents further observed that the framework is also used as a labelling and marketing tool alongside its primary function as a disclosure regime. In addition, a substantial majority of FMPs and FAs found the interaction between entity- and product-level disclosures, mostly those on PAIs, unclear. Regarding data availability, 98 % of FMPs reported difficulties in securing good-quality data. Most respondents also reported that the costs of disclosures, particularly those related to personnel and external advisory services in the case of FMPs and FAs, are disproportionate to the benefits achieved.

The **second common section** revealed that overall, respondents stressed **discrepancies across the sustainable finance landscape** and called for increased efforts to ensure consistency among the various regulations and directives. Indeed, many respondents pointed out overlaps and inconsistencies between the SFDR and the [Taxonomy Regulation](#), the [Benchmarks Regulation](#), the [CSRD](#), the Markets in Financial Instruments Directive II ([MiFID II](#)) and the Insurance Distribution

Directive ([IDD](#)) As regards interaction with the CSRD, for instance, a large majority of respondents (76 %) considered that there is room to streamline entity-level disclosure requirements under this directive and the SFDR.

The **third section**, exclusive to the targeted consultation, focused on potential changes to the SFDR requirements for both entity- and product-level disclosures. Regarding **entity-level disclosures**, views were split on whether the SFDR is the right place for such disclosures, with FMPs and FAs generally agreeing that it is not, contrary to NGOs. Responses were also divided on the usefulness of the three types of entity-level disclosures, with only sustainability risk policies (Article 3 SFDR) garnering high support among respondents, as opposed to disclosures on PAI (Article 4 SFDR) and remuneration policies (Article 5 SFDR). **Simplification of entity-level disclosures was widely endorsed** by most respondents, as was **harmonisation across the different pieces of legislation**, with a focus on streamlining PAI disclosures under the SFDR with European sustainability reporting standards (ESPS) under the CSRD.

With regard to **product-level disclosures**, the majority of respondents (56 %) supported implementing **uniform disclosure requirements for all financial products, irrespective of their sustainability claims**, to ensure a level playing field. These uniform disclosures should cover only 'key meaningful indicators' related to topics such as climate, diversity and human rights, which are comparable across different markets and asset classes. Many respondents also called for the incorporation of transition-related metrics. Additionally, 55 % of respondents agreed that **products claiming sustainability should be subject to additional disclosure requirements**, such as sustainability objectives, a sustainable investment strategy, associated key performance indicators (KPIs), minimum standards of good governance, percentage of sustainable investments, and decarbonisation targets. Opinions varied on the format of such disclosures, with some preferring flexibility to foster market innovation and others supporting standardised disclosure requirements.

The **last section**, also exclusive to the targeted consultation, addressed the potential establishment of a **categorisation system for financial products**, which received **widespread support** from respondents. The consultation introduced two designs: a system with a completely new set of product categories (approach 1), and a system that formalises Articles 8 and 9 as the main categories (approach 2), with respondents showing a slight preference for the first approach. Interestingly, the distribution of responses varied across different sectors: while the majority of respondents representing national competent authorities and asset managers supported approach 1, most respondents from the insurance sector favoured approach 2. The views of respondents representing the banking sector were divided. Nevertheless, respondents broadly agreed on certain shared principles, particularly the creation of a **retail investor-centric categorisation system** with international relevance and asset-neutral criteria applicable to all financial products. Moreover, respondents showed **broad support** (72 %) for setting up a **dedicated category for financial products with a transition objective**.

Based on feedback from its assessment and in view of the SFDR's revision, the Commission launched a [call for evidence](#) (CfE) for an impact assessment on **2 May 2025**. In its CfE, the Commission pointed to several implementation issues, such as ambiguity of legal concepts, limited relevance of certain disclosure requirements and inconsistencies with other parts of the sustainable finance legislation) and undue costs for FMPs. The Commission specified that the revision should increase legal clarity and ensure overall coherence of the rules within the sustainable finance framework, including the proposed measures to simplify sustainability reporting for companies under the

[Omnibus I Simplification Package](#) presented in February 2025. This is particularly important considering the close interlinkages between the SFDR, the Taxonomy Regulation and the CSRD, as already mentioned. As to the potential establishment of product categories, options to be examined under the SFDR review included i) targeted changes and clarifications to the existing disclosures; or ii) more far-reaching changes involving the establishment of a number of categories reflecting different sustainability objectives of financial products, underpinned by common criteria. The CfE ran until 30 May 2025, with 63 stakeholders submitting their views to inform the revision (see details under the Section on 'Experts' and Stakeholders' views' below).

European Parliament's position and oversight activities

Parliamentary resolutions

During its **ninth legislative term**, the European Parliament adopted in **2020 three non-legislative resolutions on non-financial reporting**.

On 8 October, Parliament adopted a [resolution](#) on completing the capital markets union (CMU) to support, in particular, small and medium-sized enterprises' (SMEs) access to capital market finance, specifically calling on the Commission to align the reporting requirements under the NFRD with those under the SFDR and the [Taxonomy Regulation](#) (para 11).

Likewise, on 13 November, Parliament adopted a [resolution](#) on the [sustainable Europe investment plan](#), a Commission communication outlining how to finance a sustainable transition in line with the EGD. In this resolution, Parliament emphasised the need for ambitious disclosure requirements for all financial products and entities (para 51), encouraging the Commission to revise the NFRD to include the disclosure of the impact of corporate activities on ESG sustainability (para 64). In addition, Parliament again urged the Commission to streamline the reporting requirements under the NFRD with those under the SFDR and the Taxonomy Regulation (para 60).

On 17 December, Parliament adopted a [resolution](#) on sustainable corporate governance. Welcoming the Commission's future review of the NFRD, Parliament reiterated that the review should be compatible with the reporting requirements under the SFDR and the Taxonomy Regulation (para 2). Parliament also highlighted that the NFRD's revision is crucial to facilitate the execution of the SFDR disclosure obligations by enabling access to relevant and comparable ESG data (para 3).

Selection of parliamentary questions

During Parliament's **eighth and ninth legislative terms**, Members of the European Parliament (MEPs) submitted **three written and one oral parliamentary question** relevant to the SFDR. No pertinent parliamentary questions have been posed thus far in the current 10th legislative term.

In **December 2022, MEP Fernández (S&D, Spain) and former MEP Tang (S&D, Netherlands)** submitted an oral [question](#) about greenwashing practices. Alluding to research findings that many of Article 9 SFDR funds still covertly invest in polluting practices or sectors involved in human rights abuses (see Parliament's [plenary debate](#) of January 2023), the MEPs questioned whether the Commission acknowledges an ongoing greenwashing problem and, therefore, envisages further regulatory action, particularly through minimum disclosure requirements under Article 9 SFDR. In [response](#), the Commission explained that the announced SFDR revision would explore two options: either refining current categorisation under Articles 8 and 9 SFDR or introducing uniform disclosure requirements for all financial products, in conjunction with a voluntary labelling system for

sustainable products under Articles 8 and 9 SFDR. Establishing minimum disclosure requirements was not envisaged, as it would require a formal revision of the SFDR. It is worth noting that the upcoming revision actually considers the latter option (as set out in the CfE).

Two written questions were also submitted by **MEP Eroglu (Renew, Germany)** and **MEP Van Brempt (S&D, Belgium)** in [2021](#) and [2022](#), respectively. MEP Eroglu questioned whether investment in nuclear energy respects the 'do no significant harm' principle under the [Taxonomy Regulation](#). In [response](#), the Commission confirmed that the compatibility of nuclear investments with the Taxonomy Regulation was, at that time, under examination. MEP Van Brempt raised the issue of greenwashing under Article 9 of the SFDR. Referring to findings that a substantial proportion of such investments are nevertheless channelled into fossil fuels and/or aviation, Van Brempt asked the Commission to explain not only how many of its investments qualified as Article 9 investments but also whether and how the Commission intended to ensure that its investment portfolio aligns with Article 9. The [Commission](#) replied that Article 9 applies only to publicly-offered corporate bond exchange-traded funds (ETFs) in its portfolio. However, since such investments represent only 5 % of the investment market, focusing exclusively on Article 9 products would compromise the key objectives of liquidity and capital preservation.

2024 European Parliament study on the implementation of the SFDR

Within the European Parliament, on the request of the Committee on Economic and Monetary Affairs (ECON), in **July 2024** the Policy Department for Economic, Scientific and Quality of Life Policies published a [study](#) on the **implementation of the SFDR**. Besides assessing how the legislative framework is currently working for, inter alia, retail investors, the study also analyses whether and to what extent the SFDR can be deemed effective in increasing investments in financial products supporting sustainability and whether (and if so, how) the SFDR can be adjusted to better accommodate the recent pivot towards transition finance.

The study finds that investors, especially retail investors, have little use for most of the information generated under the SFDR and might struggle to differentiate the types or categories of funds. However, even if rules are complex and market players not always prepared to apply them, such players adapt their behaviour in response to the rules when the general message, i.e., the importance to minimise sustainability risks, consider PAIs, or market products with sustainability features, is clear. As to product-level disclosures, the fact that the SFDR is currently used as a labelling rather than a disclosure regime leads, in the views of the authors, to uncertainty, making it hard for investors to assess the veracity of green claims and increasing the risk of 'greenwashing' and 'green bleaching' (i.e. when FMPs choose not to claim ESG features for their products to avoid extra costs and legal risks). The study also points to inconsistencies between the SFDR and other legislation.

Based on its findings, the study puts forward a number of **policy recommendations** for the upcoming revision of the SFDR. In particular, it stresses the need to improve the regulation's usability for investors, as well as other stakeholders such as NGOs and supervisory authorities. To ensure the smooth operation of the 'information pipeline' from companies to FMPs, it is crucial to align and streamline the various legal texts. At the same time, new methodologies and technological tools should be developed to enable FMPs to process information and reduce their dependence on 'infomediaries' (i.e. index-, ESG ratings- and other data providers).

The study also considers that the reform of the SFDR should promote a new system of product categories that is more easily understandable for end-investors and can simultaneously shift capital

flows towards sustainable or transition products (i.e. products that, while not making investments that are sustainable, have a clear aim to bring measurable improvements to the sustainability profile of the assets invested in). In addition to 'transition' and 'impact' investment products, the study argues in favour of a category of 'sustainable' products accompanied by minimum requirements and thresholds (requiring a revision of the concept of 'sustainable investment' under the SFDR). While in the view of the authors a more prescriptive approach seems inevitable, it should be balanced by adequate consumer testing (to ensure that categories are precise enough to serve investors' preferences) and market analysis (to make sure that categories are broad enough to encompass a sufficiently large share of funds, increasing the SFDR's transformational effect). If the SFDR is to become more 'transformational' (i.e. seeking to push the market towards sustainability by creating incentives to channel funds from conventional financial products towards some of the new product categories), the study advises applying certain disclosure obligations, such as the existing ones on PAIs, to all products.

European Court of Auditors' views

On **20 September 2021**, the European Court of Auditors published a [special report](#) on sustainable finance, assessing whether the Commission had taken appropriate action to encourage both public and private sustainable investments. The report found that the Commission has failed to provide Member States with the requisite guidance on supervising compliance with the SFDR disclosure requirements (p. 32). The report also noted that the regulatory technical standards (RTS) as regards the content, methodologies etc. of disclosures had yet to be adopted, preventing the SFDR from becoming fully operational (with the latter finding, however, no longer relevant as Delegated Regulations [2022/1288](#) and [2023/363](#) have since been enacted).

Views of EU advisory bodies and agencies

European Central Bank (ECB)

During its current and previous legislative term, the ECB published several papers examining the EU's sustainable finance framework.

On **10 December 2024**, the ECB released a [working paper](#) on **financing adaptation measures**, arguing that these measures should be backed by a robust EU sustainable finance framework. According to the paper, the SFDR has significant potential to support adaptation efforts, as catastrophe (cat) bonds, particularly, can be structured to qualify under the SFDR categories and/or use ESG-friendly collateral (p. 35).

On **5 February 2025**, the ECB published an [occasional paper](#) on the **green investment needs in Europe until 2030**. One of the key findings of the paper is that increased transparency, through disclosure obligations, can help direct capital towards green projects. However, the complexity of the current regulatory framework, including the SFDR, with its burdensome and sometimes overlapping disclosure obligations, could discourage green investments.

Most recently, on **5 August 2025**, the ECB released a [working paper](#) on the **impact of the SFDR** (alongside the Taxonomy Regulation) **on the decision-making of banks** when allocating capital – particularly in the form of public holdings – to companies involved in mining raw materials for battery electric vehicles (BEV). The analysis reveals that banks are reducing their public holdings in such companies, especially those with poor ESG performance, highlighting that the SFDR is fulfilling its

intended effect. However, despite these shifts in banks' capital allocation behaviour, the share prices and cost of capital of the mining companies remain largely constant, suggesting that other (non-EU) investors are continuing to channel capital into these companies. The paper therefore recommends the adoption of legislation comparable to the SFDR (and the Taxonomy Regulation) on a global scale to incentivise more sustainable practices.

European Economic and Social Committee (EESC)

In **December 2021** and **September 2022** respectively, the EESC adopted an [opinion](#) on the renewed sustainable finance strategy and an [opinion](#) on the social taxonomy. In an [opinion](#) of **October 2023**, the EESC emphasised the need for ESG rating providers to explain how they incorporate PAI indicators under the SFDR (and the CSRD), particularly environmental and social indicators, into their ratings. In another [opinion](#) adopted during the same plenary session, the EESC expressed concern that SFDR disclosure requirements, such as the green asset ratio, do not provide a sufficiently clear picture of a company's or fund's impact on ESG factors. According to the EESC, this gap may hinder retail investors from making informed investment decisions.

In an [opinion](#) on A new impetus for the European sustainable finance framework, adopted on **18 September 2025**, the EESC expressed serious concern about the Commission's Omnibus packages, stressing that simplification should not come at the cost of ambition. In particular, the EESC warned that, as a consequence of the proposed amendments to [Directive \(EU\) 2024/1760](#) (the Corporate sustainability Due Diligence Directive (CSDDD)) and the CSRD, financial institutions might not be able to meet their reporting obligations under the SFDR (point 1.4). It therefore called for ensuring coherence across the sustainable finance framework in the upcoming SFRD revision (1.5). In this context, the EESC called for a distinct category of transition finance in a new SFRD categorisation system, in line with the [proposals](#) of the Platform on Sustainable Finance.

European supervisory authorities (ESAs)

In October 2024, the ESAs (i.e. the European Banking Association/EBA, the European Insurance and Occupational Pensions Authority/EIOPA and the European Securities and Markets Authority/ESMA) and the ESAs Joint Committee published a [report](#) building on two previous editions from July 2022 and September 2023. The report highlights an overall improvement in the quality of PAI disclosures by FMPs, especially in terms of their location, clarity and completeness. Additionally, there has been progress in voluntary entity- and product-level PAI disclosures, although such disclosures tend to be presented in a more detailed and appropriate way by FMPs operating within larger multinational groups compared to smaller FMPs.⁷

Experts' and stakeholders' views

Amid the SFDR's expected upcoming review in the last quarter of 2025, various associations, think tanks and academics have advanced recommendations for improving the regulation, significantly building on the Commission's 2024 [report](#) on the consultations regarding the assessment of the SFDR. The recommendations therefore revolve around similar themes, such as product categorisation, investor-centric minimum disclosures and regulatory coherence across the EU sustainable finance scene. The list of views below aims to provide an overview/flavour of the debate and is not intended to be an exhaustive account of all the different views.

The **European Fund and Asset Management Association (EFAMA)** published a **report** in [May 2025](#) and the **European Sustainable Investment Forum (Eurosif)** published another report in [June 2025](#), respectively, offering key recommendations on improving the SFDR ahead of its expected review. Both Eurosif and EFAMA proposed a standardised categorisation system based on well-defined minimum criteria. Instead of the current broad SFDR classifications that allow for substantial variation in ambition and practices (which, in turn, may result in market fragmentation and greenwashing), the proposed categorisation scheme would comprise three categories: one for i) sustainable products; another for ii) products that facilitate a sustainable transition; and a third for iii) products with sustainability features or environmental and social factors (similar to the proposals of the Platform on Sustainable Finance, see below). In addition, both Eurosif and EFAMA endorsed the introduction of minimum disclosure requirements on sustainability risks and impacts for all SFDR products, irrespective of whether they pursue sustainability goals. To this end, they argued, Article 6 SFDR provides a solid baseline, with no additional mandatory disclosures necessary. Both bodies also agreed on the need for regulatory coherence with other sustainable finance instruments. Given the interconnectedness between the SFDR review, EU Taxonomy, and the CSRD, both Eurosif and EFAMA stressed that any modifications introduced under the Omnibus I simplification package should be coherent with the SFDR's revision, particularly in light of the reviewed [European sustainability reporting standards \(ESRS\)](#) under the CSRD.⁸

In **June 2025**, the **Association for Financial Markets in Europe (AFME)** and the **International Swaps and Derivatives Association (ISDA)** published a joint [position paper](#) on the upcoming review of the SFDR, drawing, in part, on a [joint opinion](#) of the **European supervisory authorities (ESAs)** of **June 2024**. The joint position paper includes recommendations such as switching to investor-centric disclosures, introducing a consumer-tested product categorisation system with clear minimum thresholds, and ensuring consistency with other regulations, particularly the CSRD. It further touches upon the investment instruments of derivatives and structured products (SPs), stressing their overlooked role in promoting sustainable investment under the SFDR. In addition, the ESAs' joint opinion proposes to digitalise information accessibility for retail investors, establish a framework to evaluate the sustainability of investments in government bonds and introduce PAI disclosures for all financial products (subject to a cost-benefit analysis).

Regarding product categorisation, in **December 2024** the **Platform on Sustainable Finance**, an advisory body to the Commission, released a detailed [note](#) proposing a classification system of financial products based on their sustainability objectives and ambition. The platform puts forward three main categories: 'sustainable', 'transition', and 'ESG collection' products. Additionally, it also suggests creating a separate category of 'unclassified products' that cannot be integrated into the previous three. This approach, according to the platform, aims to align SFDR categories more easily with investors' sustainability preferences under the MiFID and IDD. To support the categorisation framework, the platform also introduces a comprehensive set of objective and measurable indicators for each category (pp. 27–28).

In a recent academic [article](#), published in **May 2024** in the *European Business Organization Law Review*, the author argues that the SFDR's open-ended definitions and broad product categories have been conducive to greenwashing. To address this, the author recommends restructuring the SFDR into a labelling system based on objective, uniform standards for easy identification by investors, backed by detailed disclosures on policies and investment strategies.

ENDNOTES

- ¹ The NFRD required companies to disclose information on certain ESG factors. It has now been replaced by the CSRD.
- ² The Commission's [key priorities for the 2024-2029 legislative term](#) focus on enhancing the EU's competitiveness and promoting the decarbonisation of its industries. On 26 February 2025, the Commission adopted its [Omnibus I simplification package](#), which included proposed amendments to the CSRD and introduced a draft delegated act on taxonomy. The proposals aim to significantly reduce sustainability reporting requirements for companies in the EU, exempt 80 % of companies from the CSRD, simplify reporting criteria and limit reporting under the EU taxonomy.
- ³ The concept of '[double materiality](#)' is set out in the CSRD. Accordingly, companies must report not only on how sustainability issues might create financial risks for the company ('financial materiality'), but also on the company's own impacts on people and the environment ('impact materiality').
- ⁴ E. Partiti, '[Finance Disclosure Regulation: Moving from Disclosures to Labelling and Sustainability Due Diligence](#)', pp. 318-319, *European Business Organisation Law Review*, 13 May 2024.
- ⁵ Eurosif report '[Fostering investment in decarbonisation and sustainable growth – Policy recommendations for a fit-for-purpose SFDR](#)', pp. 15 and 24, June 2025.
- ⁶ Note that, in its 2023 [resolution](#) on better law-making, Parliament – similar to the ECA in its 2018 [special report](#) on ex-post review of EU legislation – expressed concern about this increased 'back-to-back' practice from a better law-making perspective (as it is in conflict with the '[evaluate first](#)' principle, according to which evaluation should precede and inform the revision of existing legislation). On 'back-to-back', see also I. Anglmayer, [Evaluation in the European Commission: Rolling check-list and state of play – 5th edition](#), EPRS, European Parliament, pp. 34-36, October 2023.
- ⁷ Note that the authors of this briefing have not identified any relevant petitions, European Council or Council positions, nor case law from the European Court of Justice.
- ⁸ Under the CSRD, companies must use [European sustainability reporting standards \(ESRS\)](#) to fulfil their sustainability reporting obligations. In July 2025, the Commission adopted '[quick fix](#)' amendments' to these standards, allowing companies that had to start reporting for the financial year 2024 (referred to as 'wave one' companies) but were allowed to omit certain information for that year and to omit reporting such information in 2025 and 2026 as well. This amendment therefore complements the Omnibus I package, which delayed the sustainability reporting requirements for companies that report from financial year 2025 and 2026 ('wave two' and 'wave three' companies) by two years. Meanwhile, the Commission is working on a broader [revision of the ESRS](#) (expected to be completed by the financial year 2027), aimed, inter alia, at substantially reducing data requirements.

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