25 February 2026

# POSITION OF THE EUROPEAN BANKING FEDERATION ON THE SFDR REVISION PROPOSAL

The European Banking Federation strongly supports the European Commission's efforts to reduce the complexity of sustainability-related disclosures for capital markets and increase their usability for both investors and financial market participants.

We believe the proposal takes important steps towards a clearer, more cost-effective, usable and coherent system, and we support the introduction of clearer product classification through three categories, including the flexibility afforded to financial market participants in meeting the binding criteria of the categories, the overhaul of the disclosure system, focusing on what is more meaningful for retail investors, and the deletion of portfolio management services from the SFDR scope.

We call on co-legislators to preserve the overall balanced and retail-oriented approach proposed by the Commission, while making targeted improvements and clarifications across all regulatory levels to ensure the revision (SFDR 2.0) attains its objectives.

**Our key messages:**

- **Address issues related to ESG products and instruments not in scope of the revised SFDR proposal, in particular:**
  - Apply the MiFID/IDD sustainability preferences framework not only to SFDR products but to all 'financial instruments' and 'financial services' (including portfolio management and investment advice) under MiFID II.
  - Significantly simplify the sustainability preferences advisory process in order to promote clients' understanding and adoption.
  - Allow sustainability disclosures in PRIIPS for non-SFDR products to ensure coherent information for investors.
  - Ensure coherence between SFDR 2.0 and sustainability-related elements of MiFID, IDD and PRIIPs, including coherent implementation of amendments and

transition periods.

- **Ensure timely implementation of SFDR 2.0, with coherence between L1 and L2 implementation, while allowing for the immediate removal of deleted parts as soon as the Regulation takes effect.**
- **Meaningfully integrate general-purpose sovereign bonds into the Transition and Sustainable categories by allowing credible methodologies, rather than excluding them completely from these categories.**
- **Ensure clearer treatment of the use-of-proceeds instruments aligned with credible market standards (such as ICMA's Principles), given their widespread use and importance for international market interoperability.**
- **To strengthen transparency and ensure high-quality estimates essential for preventing greenwashing:**
  - Consider setting out requirements to which ESG data providers that fall outside the scope of the ESG Ratings Regulation but modify raw ESG data in any manner would be subject, following a thorough impact assessment.
  - At least, envisage a code of conduct for such data providers in the EU, improving the transparency and robustness of methodology.
- **Withdraw the ESMA fund-naming guidelines to avoid overlaps and inconsistencies with the new SFDR categorisation.**

# A. GENERAL POINTS

## 1. Ensure smooth transition and implementation

1.1. The proposal provides that the amended Regulation shall apply 18 months after entry into force. However, this approach does not provide the necessary certainty that financial market participants (FMPs) will have enough time to adapt their procedures after the adoption of the delegated acts (Level 2). The adoption of delegated acts is sometimes delayed, which was also the case with the original SFDR, creating confusion for FMPs and increasing their implementation costs.

1.2. Therefore, **to ensure coherent and cost-effective implementation and avoid repeated implementation rounds, we propose that the revision of SFDR becomes applicable 18 months after the entry into force of all relevant delegated acts (Level 2).** The relevant delegated acts are not only SFDR 2.0 Level 2 acts but also the IDD/MiFID II 2.0 delegated acts on the sustainability preferences advisory process (Level 2). This approach ensures that the SFDR 2.0 changes and all Level 2 texts that interact with them take effect simultaneously. Furthermore, changes to all relevant delegated acts should be

published well before they enter into force.

1.3. **The same logic applies to Article 19a**, which provides an additional transition period for financial products that were not previously subject to the ESMA fund naming guidelines. We therefore propose **amending Article 19a to require FMPs to apply Articles 7, 8, 9, 10 and 11 eighteen (18) months after the entry into force of all relevant delegated acts (Level 2).**

1.4. However, a different approach must be adopted for requirements which are deleted, such as transparency obligations related to investment advice and portfolio management, the entity-level PAI reporting, and transparency of remuneration policies in relation to the integration of sustainability risks. **To alleviate the burden on financial institutions and avoid extra costs, we suggest stipulating that the deletions take effect as of the publication of the Regulation.**

*Amendment 1*

*Proposed modification of Proposal*

*Amend Article 4, Paragraph two as follows:*

*"<u>2. The amendments shall apply 18 months after the entry into force of all relevant SFDR Level 2 acts and IDD/MiFID II delegated acts (Level 2)</u>"*

*<u>"3. The changes under Article 1 (2)(a), (b), (c), (d), (e – point 16) and (f), Article 1 (5), Article 11 (c) shall apply immediately upon entry into force of the Regulation".</u>*

*Amend Article 19a as follows:*

*"Financial market participants shall apply Articles 7, 8, 9, 10 and 11 of this Regulation as amended by Regulation [PP: please insert reference to this amending regulation] to financial products referred to in Article 2(12), points (c), (d), (e), (g) and (h) by [<u>18 months after the entry into force of all relevant delegated acts (Level 2)</u>]"*

1.5. **Additionally, to support effective implementation, we suggest that the Commission and ESMA, in close collaboration with national competent authorities, play an active role in promoting and engaging with relevant stakeholders to ensure a common understanding**, particularly during the transition from the current framework to the new product categories. Their involvement is essential to ensure clear, reliable and harmonised dissemination of information across the market, thereby improving retail investor understanding, avoiding divergent interpretations and ensuring consistent application across jurisdictions.

## 2. Improve the sustainability preferences advisory process

2.1. **The welcome recalibration of the scope to include only sustainability-related financial products and the introduction of the new categorisation system for SFDR 2.0 make it necessary to review the current notion of**

**sustainability preferences and their alignment with relevant offerings.** IDD/MiFID II sustainability preferences advisory process is fundamentally interlinked with aspects that are now modified by the SFDR revision proposal. **The Commission should establish a clear timeline for adjusting it.**

2.2. **It is also essential to use the opportunity and simplify the IDD/MiFID II sustainability preferences advisory process and make it less granular**. The existing sustainability preferences advisory process is overly complex and full of technicalities that retail investors do not understand. This creates difficulties and challenges for investors in expressing their preferences. **Overly technical questioning drives clients away from sustainable investing**, and even if the proposed categories are clearer, retail investors will still not be able to fully understand all the technicalities of sustainability-related financial products.

2.3. For these reasons **we advocate for the adoption of simpler and more effective regulatory approach in defining "sustainability preferences" which covers not only SFDR products, but also MiFID II financial instruments and services**, including portfolio management, which should be consistent across the different regulatory frameworks (SFDR, MIFID, IDD and PRIIPS), thereby enabling FMPs, financial advisers and portfolio managers to guide investors towards sustainable investments.

2.4. **To provide the necessary assurance that sustainability preferences can also be matched with non-SFDR financial instruments and services incorporating sustainability factors**, thereby avoiding the need for internal definitions and allowing FMPs, financial advisers, portfolio managers and investors to rely on a coherent system to identify sustainability preferences and match them with suitable financial products and services, **we suggest supplementing the proposal with a new recital**.

2.5. In the recital, it should also be clarified that the amendment of the PRIIPs Regulation is essential to allow non-financial products to disclose a description of how the PRIIP considers sustainability-related factors, including environmental or social factors in the key information document. At the same time, **it is crucial that securities with sustainability features that are not financial products or that are not SFDR products can be recommended to customers with sustainability preferences and be underliers of SFDR products.** The corresponding MiFID regulations must be adapted to ensure consistency both in terms of time and content. If this is not implemented, an opt-in should be considered for PRIIPs manufacturers to categorise specific PRIIPs products (e.g. structured products) which financial market participants use for their financial products in accordance with SFDR requirements.

*Amendment 2*

*Proposed modification of the Proposal:*

*"The following recital is inserted, making corresponding changes to the numbering of other recitals:*

*“(8) The exclusion of investment advice and portfolio management from the scope of this Regulation should not affect the ability of investment firms to offer and recommend financial instruments or financial services taking into consideration sustainability factors to meet their clients’ sustainability preferences. Investment firms therefore remain entitled to appropriately consider for investment services, such as portfolio management and investment advice, other financial instruments, including transferable securities and money market instruments as defined in Annex I section C of Directive 2014/65/EU that take environmental, social, or governance criteria into consideration. The designation and marketing must be fair, clear, and not misleading”.*

*Transferable securities and money market instruments as defined in Annex I section C of Directive 2014/65/EU, that are not “financial products” according to Article 2(12) of Regulation 2019/2088 [or new reference] may nonetheless incorporate sustainability attributes identified in Articles 7, 8, and 9 of this Regulation.*

*(9) Investment firms and financial market participants can rely on information disclosed in the key information document according to Regulation (EU) 1286/2014 in order to assess the sustainability factors of the sustainability-related product. This is particularly important if financial products invest in PRIIPs with sustainability-related factors that do not qualify as financial products under this Regulation.*

## 3. Cover non-SFDR products in the PRIIPS Regulation

3.1. The amendment to the PRIIPs Regulation is focused on SFDR sustainability-related products, linking the sustainability information in the KID to the SFDR and its categorisation system.

3.2. **To make sure that sustainability-related information in the KID can also be disclosed for other PRIIPS that fall outside the SFDR**, thereby informing investors about their sustainability characteristics, **we suggest the following modification to the PRIIPS Regulation**.

*Amendment 3*

*Proposed modification of Regulation (EU) No 1286/2014:*

*“Article 8 is amended as follows:*

*(2) in paragraph 3, the following points (ca) and (cb) are inserted:*

*(ca) For a ‘sustainability-related financial product’ as defined in Article 2, point (25), of Regulation (EU) 2019/2088 [or new reference], its categorisation in accordance with either Article 7, 8 or 9 of that Regulation, and a description of its objective including relevant indicators.*

*(cb) For a PRIIP taking into consideration sustainability-related features, including environmental or social features, that is not a ‘sustainability-related financial product’ as defined in Article 2, point (25) of Regulation (EU) 2019/2088, a description of how*

*it considers sustainability-related features, including environmental or social ones.*

## 4. Deletion of portfolio management from SFDR financial products

4.1. **We very much appreciate the removal of portfolio management service from the scope of SFDR**, as it is currently the only product covered by the SFDR which does not qualify as a financial instrument or an investment product.

4.2. While some adjustments shall be needed, according to the final SFDR review and the new MiFID sustainability preferences regime, **it is fundamental to ensure that**:

- Intermediaries are allowed to keep using portfolio management lines[1] to meet clients' sustainability preferences.
- Future contractual disclosure for portfolio management is not affected by new Article 6a of the amended SFDR, which aims at regulating pre-contractual disclosures for products that are not categorised as sustainability-related financial products. This represents a consequence of the fact that portfolio management is now outside the SFDR and can invest not only in SFDR products, but also in financial instruments out of the scope of SFDR having sustainable characteristics.
- **Unnecessary extra costs are avoided, making sure that the least amount of new investments/changes are needed**.

4.3. With this in mind and in order not to repeat past mistakes, **we suggest strengthening the coordination between the revised SFDR and the revision to MiFID provisions related to sustainable preferences and portfolio management**.

## 5. Ensure lasting simplification and regulatory stability

5.1. While we strongly support the intended simplification of the SFDR framework, **we call on co-legislators to carefully design the framework to ensure a stable regulatory framework**, thus enabling financial institutions to invest confidently in systems, processes and governance structures, ultimately supporting better outcomes for end investors. Financial institutions spent millions of euros developing internal systems and processes to comply with the original SFDR as well as ESG MiFID and IDD, which have been in force for less than five years. This time, the framework must be calibrated more thoughtfully across all legislative levels to prevent unnecessary complexity and avoid additional operational and compliance costs for financial institutions.

5.2. In this respect, **we are concerned with the review clause in Article 19, which**

[1] Portfolio management lines are specific schedules attached to portfolio management contracts, which define standardised investment frameworks for certain client targets or segments. They set out the investment rules (including asset allocation guidelines, risk limits and eligible instruments) that apply to homogeneous groups of portfolios, ensuring consistent and scalable portfolio management in line with predefined risk–return profiles.

**envisages reassessing the framework only three years after the revised SFDR starts applying in practice**. These types of regulatory clauses are not only a primary source of instability but also often contribute to the inflation of Level 2 and 3 texts, which increases compliance costs for financial institutions.

## 6. Calibrate supervisory expectations of the requirements the Commission proposes to delete

6.1. Even at this early stage of the ongoing legislative process, **it is important that ESMA and national supervisory authorities calibrate the current and forthcoming supervisory expectations** with due caution and proportionality.

6.2. **It is necessary to deprioritise supervisory actions and avoid supervisory scrutiny of requirements that are explicitly under review for simplification or potential removal**, thereby reducing unnecessary administrative burden during the period until the SFDR revision becomes applicable.

## 7. Ensure proportionate supervision given limited data availability and widespread use of estimates

7.1. The proposal introduces three new product categories, each requiring at least 70% of the portfolio's assets to align with the strategy and disclosures associated with the category. However, **we expect that sometimes there will be insufficient reliable data in the market to meet the 70% threshold, and estimates will be used.** First, this is particularly true for open-ended alternative and private asset products, where data providers for these asset classes are less mature compared to those covering listed assets, and where such products often rely on proprietary ESG questionnaires, which are sometimes confidential. Second, this also applies to the Transition category (Article 8), because disclosure of transition plans and transitioning-related data will remain limited.

7.2. **Therefore, to safeguard investors' interests and provide legal certainty to FMPs, we call on co-legislators to:**

- **Set out that supervision of the methodology for data and estimates and disclosure should follow a proportionality principle and a materiality principle.**
- **Set out that the exclusions can be applied only from the moment when the necessary data is either publicly available or provided by data providers.**

7.3. Furthermore, we suggest clearly providing in the SFDR that the validity period of sustainability-related data is not less than three years, in line with the review cycle for the Taxonomy technical screening criteria, while allowing FMPs to update the data more frequently, as the case may be.

*Amendment 4*

*Proposed modification of Regulation (EU) 2019/2088*

*Article 12 is amended as follows:*

*In point (b), sub-point (iii) is replaced by the following:*

*“(iii) an overview of the methodology, the main assumptions and the precautionary principles regarding the treatment of missing datapoints underlying estimations where those are not based on data provided by external data providers. Acknowledging limitations in terms of data availability at the investee or asset level, supervision of such methodology and disclosure should follow a proportionality principle and a materiality principle.*
*The following paragraph 2 is added:*
*“2. The exclusions referred to in Articles 7 and 9 can be applied only from the moment when the necessary data is either publicly available or provided by ESG data providers”.*

*The following paragraph 3 is added:*
*“3. The validity period of data is not less than three years, in line with the review cycle for the Taxonomy technical screening criteria, while allowing FMPs to update the data more frequently, as the case may be”*

## 8. Minimum requirements for ESG data providers to ensure high-quality estimates

8.1. There is also a broader problem with ESG data providers in the market. **There is no EU-level regulation for ESG data providers, which provide only raw and processed data without any ratings and scores** [see also Article 52(2)(c) of the ESG Ratings Regulation], and there are insufficient incentives for ESG data providers to be transparent and robust when they develop and sell datasets based on estimates, complicating the ability to verify their methodology and its accuracy.

8.2. Whenever the ESG data is modified in any manner or sourced from third parties (e.g. NGOs, press), the regulation of such activity is essential, as financial institutions rely on such information. Regulating ESG data providers will increase the reliability of the information while limiting the risk of financial institutions being unjustly accused of greenwashing.

8.3. **Given that estimates provided by ESG data providers will be widely used for SFDR purposes and that high-quality estimates are necessary to avoid greenwashing and protect retail investors,** we kindly recommend the Commission to:

- **Consider setting out requirements to which ESG data providers that fall outside the scope of the ESG Ratings Regulation but modify raw ESG data in any manner would be subject, following a thorough impact assessment.** It is especially important to consider the transparency of data sources, control of data quality and data coverage, disclosure of methodology and potential use of AI, and ensuring fair commercial practices. It is essential for ESG data providers to ensure that their estimation methodologies are transparent, robust,

well-documented, and applied consistently. Overall, it is important to ensure a fair and proportionate distribution of responsibilities along the investment value chain and contribute to mitigating greenwashing risks and protecting end-investors.

- **Envisage at least a code of conduct for such data providers in the EU**, improving the transparency and robustness of methodology.

*Amendment 5*

*Proposed modification of the Proposal:*

*"The following recital is inserted, making corresponding changes to the numbering of other recitals:*

*"(x) Estimates provided by ESG data providers will continue to play a central role in enabling financial market participants to comply with this Regulation, and it is essential to ensure a fair and proportionate distribution of responsibilities along the investment value chain and contribute to mitigating greenwashing risks and protecting end-investors. However, ESG data providers offering raw and processed sustainability data, without issuing ratings or scores, are not subject to Union-level regulation, which limits transparency around the methodologies used to develop estimates and makes it difficult for financial market participants to assess their accuracy. Therefore, given the growing reliance on such estimates for this Regulation, the importance of ensuring high-quality data to prevent greenwashing and safeguard investor protection, the importance of ESG data providers to ensure that their estimation methodologies are transparent, robust, well-documented, and applied consistently and the importance to ensure a fair and proportionate distribution of responsibilities, the Commission should consider setting out minimum standards on transparency of data sources, control of data quality and data coverage, disclosure of methodology and potential use of AI, and ensuring fair commercial practices. The Commission should examine such standards in the review of Regulation (EU) 2024/3005 of 27 November 2024 on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities, and, in the interim, promote a voluntary Union-wide code of conduct.*

# B. PRODUCT CATEGORIES AND DISCLOSURES

## 9. Maintain flexibility and investor-centric simplification

9.1. To allow for a variety of investment strategies, tools and asset classes and accommodate the current market breadth of financial products with sustainability characteristics, **we call on co-legislators to retain the flexibility foreseen in the Commission's proposal regarding eligible investment approaches [Article 7(2), 8(2) and 9(2)] across all product categories**. We believe that a granular specification of a positive contribution to a sustainability

objective or transition would restrict the investment universe for SFDR-compliant financial products and thereby undermine the innovation potential of such products.

9.2. **We call on co-legislators to:**

- **Retain the deletion of entity-level PAI reporting.** Entity-level PAI reporting depends on the type of firm, the strategies it manages and fluctuates with assets under management, rendering it largely meaningless when aggregated across many funds at an entity level of an asset manager. The majority of investors are interested in product-level disclosures, and entity-level PAI reporting imposes disproportionate costs to financial market participants.

- **Retain the proposed simplification of pre-contractual and periodic disclosures** – focused on product objectives, strategies, exclusions, data sources, and indicators aligned with the 70% threshold requirement – to provide retail investors with meaningful, comprehensible information that supports informed investment decisions, while correcting the current imbalance between the significant and disproportionate reporting burden paced on financial market participants and the limited usefulness of existing SFDR disclosures.

## 10. Withdraw the ESMA fund-naming guidelines

10.1. Given that the SFDR revision proposal sets up three categories with specific criteria for each category and naming restrictions, **these guidelines** (which do not reference SFDR directly) **become irrelevant after the SFDR revision and should be withdrawn to avoid inconsistencies with SFDR 2.0**.

10.2. Therefore, to provide clarity to financial market participants and investors, **we suggest supplementing the proposal with a new recital regarding the guidelines' withdrawal in the revised SFDR.**

*Amendment 6*

*Proposed modification of the Proposal:*

*"The following recital is inserted, making corresponding changes to the numbering of other recitals:*

*"(x) In order to ensure consistency, legal certainty and clarity for financial market participants and investors, it is necessary to align existing supervisory guidance with the framework established by this Regulation. Given that this Regulation introduces harmonised sustainability-related product categories, together with binding criteria and rules on the use of sustainability-related terms in financial product names, the objectives pursued by the European Securities and Markets Authority's guidelines on funds' names using ESG or sustainability-related terms are fully addressed by this Regulation, ensuring adequate investor protection. As those guidelines were adopted in the absence of such a harmonised categorisation, their continued application would risk creating overlaps, inconsistencies and uncertainty. Therefore, those guidelines should be withdrawn, and the Commission, together with ESMA,*

*should ensure timely and clear communication to financial market participants and investors regarding their withdrawal".*

## 11. Meaningfully integrate sovereign general-purpose bonds in the Transition and Sustainable category

11.1. The proposed regulation to exclude sovereign bonds other than UoP bonds from the 70% threshold in the Transition and Sustainable category seems disproportionate.

11.2. According to Recital 22, such exclusion is proposed due to *"no comprehensive metrics for gauging the sustainability of general-purpose sovereign, [..] debt issuances"*. As a result, they might only fall into the ESG basics category. On the contrary, corporate bonds are eligible across all categories.

11.3. Although we agree that there is no single universally applicable methodology for assessing sovereign sustainability or transitioning, and it is more difficult to assess these aspects at a country level (compared to a corporate level), **we suggest adopting a more flexible approach, allowing credible market practices** to be used for assessing the sovereign sustainability or transitioning.

11.4. Market practices and methodologies for sovereign assessment are constantly evolving (e.g., ASCOR), both corporates and sovereigns are part of the green transition, and both of them are contributing to a more sustainable economy.

11.5. Furthermore, it should also be clarified that the Sustainable category under Article 9 may also include non-EU Green Bonds (not labelled EU GBS). As currently drafted, the absence of the word "or" between conditions in Article 9(1), Fifth subparagraph (unlike the wording in Article 7) suggests that only EU Green Bonds could count toward the 70% threshold, thereby excluding, for example, Paris-aligned green bonds not labelled under the EU Green Bond Regulation. This outcome would be inconsistent, as EU Green Bonds are by definition automatically PAB-aligned.

11.6. Therefore, to maintain consistency with the same restriction set out in Article 7(1), Fifth subparagraph, under the Transition category, and to ensure that conditions are alternative (not cumulative), **Article 9(1), Fifth subparagraph, Point "a" should be supplemented with the word "or" at the end.**

*Amendment 7*

*Proposed modification of Proposal*

*Supplement Article 7(1) with a new subparagraph as follows:*

*"The first subparagraph, point (a), shall also include investments in general-purpose issuances by public sector bodies, provided that they credibly contribute to the transition, and a financial market participant applies and discloses an appropriate methodology for determining credible contribution" (in the disclosures required*

*pursuant to paragraph 3)"*

*Supplement Article 9(1) with a new paragraph as follows:*

*"The first subparagraph, point (a), shall also include investments in general-purpose issuances by public sector bodies, provided that they credibly contribute to an environmental objective or a social objective, and a financial market participant applies and discloses an appropriate methodology for determining credible contribution (in the disclosures required pursuant to paragraph 3)".*

## 12. Recognise existing credible market standards for UoP instruments in all three categories

12.1. To avoid divergent practices across the EU and strengthen the international operability of the categorisation system, **it is important to clarify how use-of-proceeds instruments aligned with credible market standards (such as ICMA Green/Transition Bond Principles) are recognized across the criteria**, given the widespread use of such standards and the still limited supply of green bonds issued under the EU Green Bond standard.

12.2. Furthermore, there should not be a difference in the treatment of corporate and sovereign bonds, following internationally recognized standards.

## 13. Clarify the treatment of voluntary sustainability-related labelling schemes and meaningfully integrate them in the ESG Basics category

13.1. Article 17(2) – Further guidance is needed on how to determine when voluntary sustainability-related labelling schemes "exceed features in Articles 7, 8, and 9 in terms of specified objectives, investment approaches, governance or transparency requirements". This is difficult to interpret (comparison of objectives, investment approaches, and transparency criteria). **The Commission should maintain an up-to-date list of equivalences between voluntary sustainability-related labelling schemes and SFDR categories and make it available on a website.**

13.2. Given that the ESG Basics category is more inclusive than the other two categories, **financial products with sustainability-related labels could be automatically recognised as part of the ESG Basics category without further assessment**. Voluntary sustainability-related labelling schemes usually meet a number of quite prescriptive criteria and are audited regularly. This will also establish an essential link between these labels and the EU-level categorization system, as outlined in the SFDR, creating a more coherent and harmonious framework for capital markets.

*Amendment 8*

*Proposed modification of Proposal*

*Supplement Article 8(2) with a point "f" as follows:*

*"(f) Investments in financial products with voluntary sustainability-related labels, provided that such labels require the integration of sustainability factors beyond the mere consideration of sustainability risks.*

## 14. Delete or clarify Article 9a(3) and clarify other issues related to funds of funds

14.1. **We propose to delete or at least clarify paragraph Article 9a(3).** This provision, as it is currently worded, is a source of concern. It creates confusion regarding who is responsible for compliance with SFDR obligations. We are aware that investment firms act as delegated portfolio managers for funds and offer portfolio management services to UCITs/AIFs. However, financial market participants who delegate to manage their UCITS/AIFs/internal funds and who, for this purpose, make use of the portfolio management service are the only legally responsible entities for correctly classifying financial products consistently with SFDR provisions. We do not see the need for regulating the information that they may get from their delegates, and they may rely on.

14.2. Furthermore, to ensure harmonised market practice across the EU, **we would appreciate it if the following issues were clarified further:**

- How to apply the article (the expected percentage of underlying funds categorised in each category to allow FOF to choose a given category).
- That Multi-Option Products (MOPs) are applied at the level of each investment option, not at the overall product level, due to the variability of holdings.

## 15. Clarify further how uncategorized products can be marketed and offered to retail investors (Article 6a)

15.1. Overall, **further clarification is needed on how to market and distribute products with sustainability factors that are not categorised and what is permitted and prohibited if a financial product is not categorised as a sustainability-related financial product**. We find the wording overly technical and difficult to interpret, creating confusion and laying the groundwork for divergent market practices, which should be avoided.

15.2. Article 6a(1) – We suggest reconsidering the need for this part: *"and limited to less than 10% of the volume occupied by the presentation of the financial product's investment strategy"*. Although we understand the need for limitations for non-labelled products, this part is overly prescriptive. The first part already provides a principle when the information is not considered a central element of the pre-contractual disclosure, specifically *"where it is secondary to the presentation of the product characteristics both in terms of breadth and positioning in the document, neutral"*.

15.3. Article 6a(1)(c) – The chosen approach, differentiating between information which constitutes a claim and that which does not, and allowing only the latter to be included in the documentation for non-categorised products, might be overly difficult. Therefore, this criterion should either be deleted or replaced with another that is easier to understand and interpret. For instance, it is unclear whether uncategorized investment funds can have:

- Stewardship and engagement policies. If the documentation clearly states that the financial product is not managed sustainably (i.e., not categorised under the SFDR), it is difficult to argue why a fund could not have such policies.
- Exclusions as a financial investment strategy itself.

15.4. Therefore, we call on co-legislators to provide **clarification that:**

- **Disclosures about stewardship and engagement activities are outside the scope of the Article 6a's restriction on making references to sustainability features in the prospectus, periodic report and marketing materials**. References to these strategies should always be possible as they may be set at the entity rather than product-level and focus on long-term value creation, and as such go beyond sustainability considerations, in particular with respect to governance topics that may not necessarily stem from an ESG perspective.
- **Non-categorised products could still have exclusions as a strategy.**

## 16. Clarify the treatment of derivatives

16.1. **We propose clarifying the treatment of derivatives under SFDR. Such treatment should remain proportionate and operationally feasible**, taking into account recital 33 of the SFDR Delegated Regulation (EU) 2022/1288, the ESA's recommendations and those of the latest PSF report [dated February 2025]. It is important to ensure that the use of derivatives does not undermine the product's disclosed ESG objectives and avoids creating unnecessary complexity or distortions in sustainability metrics. At the same time, the ability of derivatives to contribute positively should not be unduly hampered.

## 17. Ensure proportionate regulation regarding additional information for clients

17.1. Article 12a(b)(i). First, the clause on providing clients with other information seems unnecessary, as clients can ask for any information, and FMPs are obliged to provide it regardless of the nature of the information and the costs for acquiring such information. Second, the provision of extra information can be left to the market itself, as investors are the ones who decide whether to invest or disinvest. We are unaware of the market problem that this provision intends to solve. **Therefore, we suggest deleting this provision or adopting a more proportionate approach.**

17.2. If this provision is not deleted, we suggest the following targeted amendments:

- **Limiting the required disclosures to a summary with respect to the type**

**of methodologies** to keep it manageable for financial market participants and understandable for (retail) investors, as well as the contact details of third-party data providers (see the amendment 4).

- **Clearly providing in the regulation that the methodology used by data providers can be provided to clients only in cases where data providers have disclosed such methodology to FMPs**.

*Amendment 9*

*Proposed modification of Regulation (EU) 2019/2088*

*Article 12 is amended as follows:*
*In point (b), replace sub-point (ii) with the following:*

*"(ii) where data or estimates for reporting purposes in accordance with Articles 7(3), 7(a), 8(3), 9(3) and 9(4) are sourced from data providers, the name and contact details and, where applicable and available, the methodology used by data providers"*

## 18. Clarify further the requirements for product categories

18.1. We would appreciate receiving a confirmation that the term "asset" is aligned between the SFDR and the EU Taxonomy across all product categories.

18.2. We would appreciate the following clarifications for the Transition category:

- Clarify the treatment of companies that have completed their transition to allow a Transition fund to maintain its classification at least for a reasonable time.
- Under the first sub-paragraph of Article 7(2) point (e), investments accompanied by a credible sustainability-related engagement strategy would only qualify in combination with other qualifying investment approaches. In our view, this limitation brings no discernible benefit while unnecessarily constraining the capacity of financial market participants to create innovative financial products that contribute meaningfully to the transition to a sustainable economy. We would call for **investments with a credible sustainability-related engagement strategy to qualify on a stand-alone basis to contribute to meeting the proposed 70% threshold**.
- Delete the first part of Article 7(3), Point (f) «a statement that the financial market participant complies with paragraph 1, points (b) and (c)» duplicates the information already specified in point (a).

18.3. We would appreciate the following clarifications for the Sustainable category:

- To avoid potential greenwashing risks and help harmonize future market practices, the upcoming delegated act should clearly specify criteria related to the "proper justification" of the investments' high level of performance in terms

of sustainability standards and/or contribution to sustainability (Article 9(2), Points “e” and “g”).

- Further clarification of the requirements for the ‘remaining investments’ under Article 9 (maximum 30%), including a clear explanation of how it is ensured that these investments do not conflict with the product’s sustainability claims.
- Further clarification that the Article 9 threshold should also allow products to pursue multiple sustainability objectives within the 70% allocation to ensure sufficient diversification.
- Further clarification that the 15% threshold applies on a look-through basis, i.e. based on the Taxonomy alignment of proceeds of invested bonds. This would be in line with the approach of the current SFDR’s Taxonomy accounting for UoP bonds.

# C. REMAINING ISSUES

## 19. Delete irrelevant provisions of the EU Taxonomy

19.1. The Taxonomy Regulation should be amended to delete provisions that become moot and incompatible with the SFDR revision proposal (e.g., Article 5, 6, 7, 18(2), 19(1)(e), 21 (1) and Article 25).

19.2. To provide legal clarity and coherence, all regulation that relates to disclosures for each category should be included in SFDR.

## 20. No gold-plating

20.1. A reference to Article 9(a) is missing, as gold-plating should not be permitted in relation to funds-of-funds regulation either. We suggest supplementing the article with a reference to Article 9(a).

## 21. Opt-out regime for financial products offered to professional investors

21.1. **We call on co-legislators to consider specific treatment (voluntary opt-out regime) for financial products offered exclusively to certain professional investors** (as defined in MiFID II) **in non-advisory business as part of advisory services,** given their experience, knowledge, capabilities, and their different needs compared with retail investors.

## 22. Ensure smooth transition to the new system

22.1. First, additional guidance on the transition from the existing Article 8/Article 9 set-up to the new categorisation system is necessary. The new categorisation system may strip products of their sustainability-related status, creating communication challenges and undermining investor confidence. We would welcome further guidance and a standardised procedure on how these changes

should be implemented and communicated to investors.

22.2. Second, we would suggest including “separate account funds” in Article 19a and giving an extra 12 months for such funds to be recategorised under the new framework, as they were not subject to ESMA fund naming guidelines.

23. We would suggest eliminating the reference to point (h) of Article 2(12), since it seems to be an error. Such a reference does not exist in the current version of the SFDR, nor is it included in the Commission’s proposal for the review of the SFDR.

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## About EBF

The European Banking Federation is the voice of the European banking sector, bringing together national banking associations from across Europe. The federation is committed to a thriving European economy that is underpinned by a stable, secure, and inclusive financial ecosystem, and to a flourishing society where financing is available to fund the dreams of citizens, businesses and innovators everywhere.

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