Eurosif response to SFDR Call for Evidence

Brussels, 28 May 2025

The Sustainable Finance Disclosure Regulation (SFDR) review is a significant opportunity to scale-up finance for sustainable growth and the decarbonisation of the European economy, in line with the EU's strategic objectives.

The implementation of SFDR significantly improved disclosures on, and consideration of sustainability risks and adverse sustainability impacts in investment decisions. However, some key challenges prevent the SFDR from fully delivering on its objectives: preventing greenwashing and helping channel capital towards industrial decarbonisation and sustainable growth. The framework must be reviewed building on its achievements, fixing aspects not working as intended to ensure it can fully deliver on these objectives. **Please find Eurosif's high-level recommendations below. These will be presented in further detail in a report to be published in the coming weeks.**

Establish categories of products based on minimum criteria

This review should create three categories of products, reflecting their main objectives: "sustainable", "transition", and "binding environmental and/or social factors". They should be named following an EU-wide consumer survey to ensure they are meaningful to retail investors. Minimum criteria should include the establishment of a **specific ESG/sustainability-related objective** and the assessment of **progress using credible indicators**. It should also entail establishing **minimum exclusions,** building on those used in the ESMA guidelines on funds' names, and adjusted to avoid carbon lock-ins. A horizontal **"impact lens"** across the categories, with dedicated criteria and disclosures should be established for products with impact objectives.

Improve transparency for all financial products

The SFDR review can help channel the savings of EU retail investors towards the real economy, leveraging on the increasing demand for sustainable products. This can be achieved through better comparability, by establishing minimum disclosures for all financial products on their sustainability risks and main adverse impacts on the environment or society.

For categorised products, a limited list of relevant mandatory Principal Adverse Impact (PAI) indicators should be established. This information and the associated mitigation effort should be presented in a summarised, easy-to-understand way in dedicated consumer-facing disclosures.

A disclaimer should clearly flag products that are not categorised under SFDR to retail investors. For these products, exposure to activities going beyond the revenue-based thresholds set in the exclusion list of the Paris-Aligned Benchmarks, should also be flagged in an additional disclaimer.

Maintain meaningful entity-level disclosures

Entity-level disclosures within SFDR should be maintained, preserve the disclosure of adverse impacts indicators across investors' Assets under Management (AuM) and include an overview of their offer of financial products categorised under SFDR. Financial market participants should also explain their proprietary models and their methodologies to integrate sustainability risks.

Finally, these disclosures should detail their due diligence policies to identify, monitor and address adverse impacts caused by their investee companies, including how sustainability-related engagement strategies are implemented accordingly.

Reflect SFDR review changes in other regulations

The SFDR review is an opportunity to adopt a holistic approach to EU rules that apply across the investment chain. This means preserving and streamlining the rules that would ensure access to essential corporate sustainability reporting data for investors, as part of the current negotiations on the "Omnibus I" simplification package. Reviewing SFDR would also entail adjusting rules on the distribution of products (MiFID/IDD), information to provide to retail investors (KID PRIIPS) and rules on benchmarks using ESG-related terms (BMR), to ensure they are consistent with the outcomes of the review.