

# PRESS RELEASE



## SFDR review draft report moves in the right direction, but important gaps remain

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Eurosif, the leading pan-European sustainable finance association, welcomes MEP Gerben-Jan Gerbrandy's (Renew, NL) [draft report](#) on the review of the Sustainable Finance Disclosure Regulation (SFDR). This draft retains key elements of the European Commission's [proposal](#), while bringing significant improvements that support greater clarity and robustness of the framework. However, further amendments will be necessary to address remaining gaps and ensure the rules safeguard credibility, effectively prevent greenwashing, and are workable across different asset classes.

Among the **crucial elements retained from the European Commission proposal** are the scope covering products targeting professional investors, the three product categories supported by minimum criteria, and the inclusion of an 'impact' layer within the 'sustainable' and 'transition' categories. The exclusion of fossil fuel expansion activities and companies lacking coal phase-out plans from the 'sustainable' and 'transition' categories is also maintained, which is essential to the credibility of the framework.

**Eurosif strongly supports the targeted improvements introduced in the draft report.** These include more detailed criteria for the 'ESG basics' category, which now require the removal of 20% of investments with the lowest sustainability-related rating or value. The removal of the 'safe harbour' provision for products tracking Paris-Aligned or Climate Transition Benchmarks is another positive change, intended to ensure a level playing field between categorised products.

Product-level disclosure of **Principal Adverse Impact (PAI) indicators** is also strengthened. A limited set of PAI indicators, to be defined at technical level, is made mandatory across all three product categories, while additional PAI indicators that are material to a specific product must also be disclosed. Engagement disclosures are also strengthened, requiring a comply-or-explain approach for all SFDR categories. The draft report introduces a requirement for non-categorised products that disclose their integration of sustainability factors to include a disclaimer in precontractual documentation, periodic documents, or KID PRIIPs.

**Despite these positive steps, the draft report still falls short on several fundamental issues** and risks weakening the framework if left unaddressed. Firstly, further amendments are needed to ensure criteria and thresholds are adapted to social objectives and different asset classes, including private assets, real estate and sovereign exposures, through more detailed technical empowerments. Secondly, the absence of the Do No Significant Harm principle from the 'sustainable' category and the lack of minimum social and governance safeguards across categories undermine the credibility of sustainability claims and investors' due diligence efforts.

Finally, **relevant entity-level disclosures should be maintained** and streamlined, including Assets under Management by SFDR category and summaries of exclusion, engagement and due diligence policies. In the absence of further sustainability disclosure requirements for financial institutions under CSRD and ESRS, SFDR plays a critical role in ensuring entity-level transparency. Without these disclosures, end-investors and other stakeholders, including supervisors, would lack the necessary context to assess how product-level claims align with firms' overall sustainability approach and risk management practices.

**Nathalie Dogniez, Chair of Eurosif, said:** *“This draft provides a solid basis for discussion, preserving the core architecture of the Commission’s proposal while delivering meaningful improvements. Some additional adjustments are still needed for the SFDR framework to be effective and usable, such as making the criteria and thresholds more adapted to different asset classes, like private assets, real estate assets and sovereign instruments.”*

**Aleksandra Palinska, Executive Director of Eurosif, commented:** *“While the report introduces a range of welcome improvements, the absence of the Do No Significant Harm principle from the sustainable investments category remains a serious weakness. Social criteria receive comparatively limited attention, even though they are central to supporting a just transition to a sustainable economy. Strong social and governance safeguards, together with clear due diligence expectations, are essential across all products if SFDR is to remain a credible framework to prevent greenwashing and support the transition to a more sustainable economy.”*

Eurosif looks forward to working together with EP rapporteur Gerben-Jan Gerbrandy and the shadow rapporteurs to deliver a final report that strengthens sustainable investments while preventing greenwashing, in line with the Savings and Investment Union (SIU) objectives.

#### Next Steps

The draft report will be presented in the European Parliament’s Economic and Monetary Affairs (ECON) committee on 3 June. The deadline for ECON committee MEPs to submit amendments is 4 June. The vote in the ECON committee is scheduled for 15 July, subject to confirmation.

- Ends -

**Eurosif – the European Sustainable Investment Forum** is the leading pan-European association promoting sustainable finance at the European level. Its membership is comprised of Sustainable Investment Fora (SIFs) from across Europe. Most of these SIFs have a broad and diverse membership themselves, including asset managers, institutional investors, index providers and ESG (Environmental, Social and Governance) research and analytics firms. Eurosif and its members are committed to the growth and development of sustainable finance and support the development of EU rules which are fit-for-purpose and facilitate the financial industry’s contribution to a just transition.

A full list of Eurosif’s members can be found [here](#) and further information is available at: [www.eurosif.org](http://www.eurosif.org)

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