PRESS RELEASE

Final agreement on SFDR 2.0: strong improvements, but transition category falls short

Brussels, 24 November 2026

Eurosif, **the European Sustainable Investment Forum**, sees the final political agreement on the review of the Sustainable Finance Disclosure Regulation (SFDR), reached on 19 November, as an overall improvement, despite significant shortcomings. The final text is expected to increase the transparency of sustainable investment products to the benefit of end investors. However, Eurosif cautions that the transition category lacks sufficient safeguards. We call to establish clear, workable technical measures to support effective implementation of the framework and prevent greenwashing, and we encourage financial market participants to go beyond its minimum requirements.

We strongly support that the final text establishes three clear product categories: "sustainable", "transition" and "ESG basics", and explicitly recognises the distinct nature of "impact" investments. The final text also requires financial products to meet the categories' criteria before making sustainability-related claims, which is expected to significantly reduce greenwashing risks.

Nathalie Dogniez, Chair of Eurosif, commented: *"We welcome the overall categorisation structure of SFDR 2.0, but its success will depend on getting the implementation right. The forthcoming delegated act must establish clear, workable methodologies, indicators and criteria that reflect the specificities of different asset classes, including private and real assets. Equally important, it must provide tailored indicators for financial products pursuing social objectives, recognising their essential role in financing a just transition."*

We also welcome that the streamlined disclosures maintain meaningful information for end investors. A limited list of common Principal Adverse Impact (PAI) indicators across product categories and a statement on exposure to fossil fuel companies for "ESG basics" products will help end investors make better-informed decisions. We also strongly support an annual website disclosure on assets under management and products categorised under SFDR 2.0. We expect this to give end investors useful information and help close existing gaps, at limited cost for financial market participants.

However, weak criteria risk undermining the credibility of the transition category. Companies continuing to expand fossil fuel activities could still qualify with just 20% of their capital expenditure (CapEx) aligned with the EU Taxonomy and a strategy to reduce their Scope 1 and 2 GHG emissions. This risks allowing companies to qualify based on limited green investments, without demonstrating a credible transition of their overall business models. While the additional safeguards agreed during the final trilogues (a meaningful annual increase in Taxonomy-aligned CapEx and the phase-out of coal-fired power generation) are a step forward, they remain insufficient to address this fundamental weakness.

Aleksandra Palinska, Executive Director of Eurosif, said: *"The agreement on SFDR 2.0 marks an important step forward for sustainable investment. However, we regret that the criteria agreed by the co-legislators on the transition category fail to distinguish companies genuinely transforming their business models from those making isolated green investments. Meeting a Taxonomy-alignment threshold is no substitute for a credible transition strategy, backed by capital allocation decisions and concrete implementation. Investors will therefore need to look beyond regulatory requirements and use engagement to hold companies accountable for delivering genuine transition."*

The final agreement also retains **the opt-out for funds targeting professional investors**. We are concerned that this provision will complicate implementation for financial market participants and fragment the market between professional and retail investors. We nevertheless welcome preventing funds that opt out from using sustainability-related names. This safeguard is necessary to prevent confusion between similarly named products with different underlying characteristics depending on whether they target professional or retail investors.

With the political negotiations now finalised, the technical measures to be developed in 2027 must help financial market participants implement SFDR 2.0 successfully. To achieve this, we call for **tailored criteria for private and real assets** and for **financial products with a social objective**, as both are mentioned in the final agreement but still lack dedicated rules. The technical measures should also clarify the references to **"credible" climate transition plans or sustainability-related engagement strategies**. Establishing a **clear list of international standards and frameworks** that can be referenced to demonstrate compliance with SFDR criteria would also further help market participants apply the framework.

Eurosif now calls for swift adoption of the final text by EU institutions following this political agreement. This would allow work to begin on two fronts: the new SFDR Delegated Act and updates to the relevant technical provisions on MiFID/IDD sustainability preferences, EU climate benchmarks and PRIIPs Key Information Documents (KID).

- Ends -

Notes to Editors

Next steps

- **Early 2027 (tbc)**: formal adoption of the final text by the European Parliament and the Council of the EU.
- **2027**: work on revised SFDR Delegated Act, update of MiFID/IDD Delegated Act, EU Climate Benchmarks Delegated act, KID PRIIPs Delegated Act.
- **Early 2029**: application of the revised SFDR 2.0.

Eurosif – the European Sustainable Investment Forum *is the leading pan-European association promoting sustainable finance at the European level. Its members are Sustainable Investment Fora (SIFs) from across Europe, collectively representing over 1000 organisations spanning a diverse range of financial market participants, including institutional investors, banks, service providers and intermediaries, as well as other organisations like foundations, civil society and research institutes.*

Eurosif and its members are committed to advancing sustainable finance and advocate for an ambitious, effective and proportionate EU regulatory framework that enables the financial sector to contribute meaningfully to the transition towards a more sustainable and inclusive economy.

A full list of Eurosif's members can be found here and further information is available at: www.eurosif.org

Contact:

Anne Risse, Policy and Communications Officer: anne.risse@eurosif.org