

# Comments

## on the legislative proposal for SFDR 2.0

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## **Executive summary**

The German Banking Industry Committee (GBIC) welcomes the Commission's legislative proposal on revising the SFDR. The proposal addresses the relevant areas of action, in particular, reducing the complexity associated with sustainability-related disclosure requirements. Clear sustainability-related product categories, together with transparent and comprehensible information, could help mobilise more private investment for the transition to a more sustainable economy and the fight against climate change, and boost the competitiveness of the EU financial market. This also contributes to the Savings and Investment Union. In addition, the proposal lays the groundwork for making sustainable financial products simpler, more understandable and more reliable. This increases client confidence and client protection, reduces risks from greenwashing and improves capital allocation in line with European sustainability and competitiveness goals.

Particularly noteworthy are the introduction of the three product categories ('sustainable', 'transition' and 'ESG basics'), the removal of entity-level reporting requirements, such as the PAI statement, the planned simplification of product-related ESG templates and the reduction in the number of PAI indicators. These measures, together with the removal of financial advisers and investment firms/credit institutions which provide portfolio management from the scope of application – whilst the scope of the legislation remains otherwise unchanged – will significantly ease the burden on providers and bring about a noticeable improvement for retail investors.

Nevertheless, there is a need for improvements in certain areas to ensure a practical and market-oriented application of the SFDR:

The draft does not specify how financial instruments with sustainability factors that fall outside the scope of the SFDR will be coherently integrated into the process for determining client sustainability preferences under MiFID II in future. Ensuring a level playing field therefore requires a comprehensive review of this process in accordance with Delegated Regulation (EU) 2017/565 and Delegated Directive (EU) 2017/593 and it must also include financial instruments that do not fall within the scope of the SFDR.

It is also important that non-SFDR financial products which are a PRIIP can continue to include sustainability disclosures in the KID, ideally in the same section – similar to SFDR financial products.

Furthermore, the requirement to specify the planned relative share of eligible investments in the pre-contractual information undermines efficient portfolio management and diversification. This is not in the interests of the investor. Also, the blanket exclusion of general-purpose sovereign bonds from the 'sustainable' and 'transition' categories is not justified. In addition, the product categories require further clarification, for example regarding minimum exclusions in the transition category, so companies that can demonstrate they are decarbonising can also be taken into account.

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Finally, the planned removal of financial advisers and investment firms/credit institutions which provide portfolio management from the scope of the SFDR should take effect as soon as the SFDR review comes into force. It does not seem reasonable that the planned relief measures for the financial institutions concerned should only come into effect after the new requirements come into force. The same should apply to the entity-specific reporting requirements that are to be removed. This applies in particular to the annual PAI statement.

### **Positive elements**

The proposed amendments to the SFDR will help provide investors with clearer and more easily understandable information on sustainability-related financial products, enabling them to make more informed decisions. At the same time, the disclosure requirements for providers of financial products are to be simplified, which will ease the burden on them. Furthermore, the proposals are conducive to mobilising more (private) capital in the fight against climate change.

The following points are positive:

- the introduction and designation of the three proposed product categories,
- the removal of financial advisers and investment firms/credit institutions which provide portfolio management from the scope,
- the removal of the term portfolio management from the definition of a financial product,
- the removal of disclosure requirements at entity level (e.g. PAI statement),
- no introduction of an ESG scale,
- limiting disclosure requirements for sustainability information to categorised financial products,
- the commencement of
  - reducing the number of PAIs,
  - simplifying and shortening the ESG templates.

It is right to retain and not to expand the scope of application with regard to financial products as set out the Commission's proposals. The disclosure requirements in SFDR 2.0 are tailored to the content and structure of financial products. This basic concept was also not altered by the Commission's proposals. This is particularly true given the current welcome efforts to further reduce the regulatory burden in the EU. As a result, the plethora of requirements contained in the SFDR should be reduced and not expanded.

### **Required amendments and clarifications**

Though, the following points require further amendment during the legislative process:

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■ **Advisory and portfolio management services require immediate and clear relief measures**

As the scope of the SFDR will no longer cover financial advisers and investment firms/credit institutions which provide portfolio management in future, the associated disclosure requirements – such as website obligations and publication of the PAI statement – should also cease to apply from the date the revised SFDR enters into force, rather than only from the later date of application. This enables the legislator to take steps to reduce bureaucracy at an early stage.

■ **Investors need clarity about the entire market for sustainable financial instruments**

The proposal to revise the SFDR provides for the scope to be amended in specific areas (removal of financial advisers and investment firms/credit institutions which provide portfolio management without otherwise changing the scope, see above) and for the introduction of a new system of categorising sustainability-related financial products. However, this should not give the false impression that only financial products classified under the SFDR can adequately take sustainability factors into account and be recommended to investors with corresponding preferences. This would unnecessarily limit the current range of offers on the market. Limiting the range to financial products within the meaning of the SFDR would also be to the detriment of investors and would unnecessarily hinder competition.

The legislators should therefore make it clear in the recitals that the SFDR is not the sole basis for sustainable investment solutions. Financial instruments and services covered by MiFID II – such as structured securities, bonds or individual portfolio management – may also align with clients' sustainability preferences, provided they take comparable sustainability factors into account. This aspect must also be considered within the planned amendments to the rules regarding sustainability preferences under Delegated Regulation (EU) 2017/565 and the product governance requirements for the consideration of sustainability factors under Delegated Directive (EU) 2017/593.

A coherent regulatory approach also ensures that all suitable financial instruments – regardless of their SFDR classification – remain available to clients with sustainability preferences – both in advisory and non-advisory business. This increases the range of options available to clients and, at the same time, creates a reliable basis for advisory practice.

Alongside the SFDR - the planned amendments to the MiFID/IDD and PRIIPs regulation must be coordinated in terms of both timing and content. Only a well-coordinated regulatory framework will continue to enable clients – beyond SFDR financial products – to access financial instruments and investment services with sustainability factors that meet comparable requirements.

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■ **No extension of the pre-contractual product information set out in Articles 7 to 9, paragraph 3(c)(ii) SFDR draft to include details of the relative share of eligible investments**

The SFDR draft includes a new requirement in relation to pre-contractual disclosures. In future, the relative share of eligible investments for the relevant category must be specified in advance in pre-contractual disclosures. This requirement does not align with the current system of active portfolio management. Categories of suitable assets are generally defined as the investable universe. The actual composition of the portfolio is then determined dynamically based on other criteria, such as risk, expected return or sector allocation, in order to ensure appropriate diversification. Rigid minimum commitments in the form of fixed percentage proportions would make efficient portfolio management and diversification considerably more difficult and cannot therefore be in the investor's best interests.

■ **Eligibility of general-purpose sovereign bonds (Article 7(1) and Article 9(1) SFDR draft)**

The inclusion of general-purpose sovereign bonds, which may be held in a categorised portfolio based on certain methods, should be permitted in the numerator not only for Article 8 products, but also for Article 7 and 9 products. In our view, the proposed general exclusion of general-purpose sovereign bonds under Article 7(1) and Article 9(1) of the SFDR draft falls short if only European Green Bonds or use of proceeds instruments are permitted to be included within the 'transition' and 'sustainable' categories. Governments play a key role in the sustainable transition through international agreements, national climate targets, regulation and support measures. As such, the Commission also recognises national climate plans as the public-sector equivalent of corporate transition plans.

Including suitable general-purpose sovereign bonds in the 70 percent threshold would also improve portfolio diversification, particularly as the proportion of green bonds issued by EU governments is currently very low (at around 4.2 percent of market volume as of July 2025).<sup>1</sup>

The legislators should recognise the use of established market standards for the assessment of general-purpose sovereign bonds and clarify their application as part of the SFDR review. To support the assessment of general-purpose sovereign bonds, it is possible to draw on established industry standards widely used today, such as ASCOR, the Net Zero Investment Framework for Sovereigns or the Climate Change Performance Index.

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<sup>1</sup> EEA, Figure 1. Green bonds as a percentage of total bonds issued by corporations, by governments, and by both corporations and governments in the EU-27, published 1 July 2025; [Green bonds in Europe | Indicators | European Environment Agency \(EEA\)](#)

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If the exclusion of general-purpose sovereign bonds in Article 7(1) and Article 9(1) is to be retained, the appropriate solution would be to exclude these debt instruments from both the numerator and the denominator.

■ **Minimum exclusion of coal in the 'transition' category (Article 7(1) SFDR draft)**

The Commission's objectives can only be achieved if 'transition' is designed as a practicable and effectively implementable concept. The exclusion of companies that invest in coal (Article 7(1)(b) of the SFDR draft) in conjunction with Article 12(1)(d) of Delegated Regulation (EU) 2020/1818 runs counter to the idea of supporting companies worldwide on their path to transition. For investors, this would mean that sectors which are demonstrably in transition (because the companies have a credible transition plan or science-based targets) would no longer be investable in the transition category. A reference to the exemptions listed in Article 12(1)(a) to (c) of Delegated Regulation 2020/1818 seems appropriate within the context of the 'transition' category.

■ **Indicators on measuring a positive contribution (Articles 7(1) and 9(1) SFDR draft, recital 14)**

In order to specify the positive contribution to a sustainability goal or to transition, there is no need for a rigid, prescriptive list of sustainability indicators. This hampers innovation. The SFDR proposal deliberately refrains from setting out specific criteria or procedures and does not establish a binding, uniform set of assessment criteria. This approach ensures the necessary flexibility for financial market participants to employ their preferred methods and thus should be retained.

Overly prescriptive regulation could undermine the effectiveness and further development of an evolving sustainability framework. Given the variety of sustainability-related strategies, assets and objectives in the market, flexible solutions are required. Furthermore, market practice shows that competition and transparency have already established an appropriate selection of relevant indicators. A closed list of sustainability indicators prescribed by regulation is therefore unnecessary.

■ **Indicators for Principle Adverse Impacts (Article 7(1)(d), Article 9 (1)(d) SFDR draft)**

However, a conclusive list of PAI indicators would seem appropriate. From this mandatory list, financial market participants could select the indicators that are most relevant to their products and investment strategy. Such a closed list makes it possible to use sector and thematic-specific PAIs in a targeted manner, in line with the investment strategy. The list should only contain those PAIs that can be identified from CSRD/ESRS reporting requirements and that are meaningful and understandable to clients.

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■ **Possible safe harbours (taxonomy-alignment proportion, Articles 7(1) and 9(1) SFDR draft)**

That the Commission has taken the Taxonomy Regulation into account within the framework of the SFDR 2.0 and, in the case of financial products within the meaning of Articles 7 and 9, allows, as an alternative, a certain proportion of investments to be made in taxonomy-aligned economic activities, is generally to be welcomed.

The proposed minimum proportion of 15 percent for taxonomy-aligned investments appears difficult to achieve under current market conditions. Taxonomy-aligned economic activities are currently limited, depending on the sector. The taxonomy-alignment proportions currently achievable in the market are often significantly lower than the proportion mentioned. Since taxonomy-alignment proportions are changing in parallel with the transformation of the economy, the proposed review of the threshold after 36 months makes sense. Regular reviews also make it possible to continuously adapt the threshold to new findings and developments.

It is also unnecessary to impose additional requirements on the portion of the portfolio that is not taxonomy-aligned. Any further requirements beyond the exclusions mentioned unnecessarily restrict investment strategies and make using the 'safe harbour' rather unattractive. In addition, binding exclusion criteria ensure that minimum standards are met.

■ **Marketing communications and naming rules (Article 13 SFDR draft)**

It should be clarified (e.g. in a recital) how individual portfolio management with sustainability features (currently in the scope of the SFDR) can make use of ESG-related terms in pre-contractual documents, periodic reports and marketing communications in the future. These claims should also be consistent with the notion of 'environmental claims' under Directive 2005/29/EC68 (Unfair Commercial Practices Directive, as amended by Directive (EU) 2024/825 as regards empowering consumers for the green transition).

■ **Application period**

Even though we fundamentally support the new product requirements, the new requirements once again mean considerable effort for financial market participants such as fund managers to make adjustments, in particular strategic review of the product range: It is necessary to analyse which existing funds will meet the new thresholds and exclusion criteria in the future and where adjustments are needed. The new categories and approaches must be communicated clearly and comprehensibly in order to create transparency and trust among investors. Financial market participants must also prepare for the new, but streamlined, disclosure requirements and impact measurement requirements.

We therefore advocate for an appropriate sequencing between Level 1 and Level 2 measures (including MiFID II and IDD) and sufficient implementation time. We consider that a

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sufficiently long application period will be essential, in any case no shorter than 18 months, once all Level 2 measures have been published in the Official Journal.

The corresponding Level 2 proposals should be published promptly in order to provide clarity on all requirements at an early stage.

■ **Better coordination of the SFRD review with ESAP requirements (Article 18a SFDR draft)**

Under the Commission's legislative proposal on the SFDR, ESAP reporting requirements are to be scrapped for financial advisers and investment firms/credit institutions which provide portfolio management.

In future, financial market participants are only to report disclosures in accordance with Articles 3 and 10 of the SFDR on the ESAP. The Commission's proposal therefore logically also provides for an amendment to the ESAP Regulation, which currently refers to the applicable SFDR requirements. However, according to the Commission's proposal, the amendments to the ESAP Regulation are not due to take effect until 18 months after the entry into force of SFDR 2.0.

Financial advisers and investment firms/credit institutions which provide portfolio management should be exempt from the ESAP obligations as soon as SFDR 2.0 comes into force, in order to avoid unnecessary bureaucracy.

Furthermore, there should be an exemption for submitting disclosures (e.g. the PAI statement) that are due to be scrapped as a result of the SFDR review. It does not seem appropriate to submit SFDR disclosures – which are due to be phased out anyway – to the national collection bodies from 10 January 2028 for a transitional period until SFDR 2.0 comes into force. A clear exemption or transitional arrangement is therefore necessary to avoid unnecessary reporting costs and burdens on institutions.

■ **Amendments to Regulation (EU) No 1286/2014 (PRIIPs)**

The Commission proposes introducing a new section on sustainability into the KID, replacing the existing information on sustainability in a section titled 'What is this product?'

We generally welcome the fact that the Commission is proposing to continue addressing the issue of sustainability in the KIDs. Nevertheless, the proposals to amend the PRIIPs Regulation should be reconsidered. They are not appropriate and, furthermore, alignment with Delegated Regulation (EU) 2017/565 and Delegated Regulation (EU) 2017/593 – which are yet to be amended – is absolutely essential:

Until now, manufacturers of non-SFDR financial products (such as structured securities) have also been required, in line with the objectives of the PRIIP Regulation – provided the

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product pursues specific environmental or social objectives – to include a description of these in the KID in accordance with Article 8(3)(c)(ii) of the PRIIP Regulation. The Commission’s new proposal, however, limits this requirement – and therefore the possibility of providing sustainability disclosures – to manufacturers of financial products as defined by the SFDR. This is not appropriate. For the same reasons that support retaining the option to recommend other financial instruments to clients that take sustainability factors into account, it should remain both mandatory and possible for manufacturers of non-SFDR financial products to inform clients of this in the KID.

In addition, the Commission’s proposal (Article 2 of the SFDR proposal – new Article 8(3)(ca) of the PRIIPs Regulation proposal) is too vague. It remains unclear how much information will be required in future. This is not appropriate, as the limit on the maximum number of pages (3 pages, see Article 6(4) of the PRIIPs Regulation) has been retained.

Furthermore, in the planned amendment to the PRIIPs Regulation, care must be taken to ensure that the disclosures contained in the KIDs are aligned with future MiFID II and IDD requirements on sustainability. Clients would find it difficult to understand if there were other aspects that were relevant aside from those in the KIDs. This is another reason for the amendment to the PRIIPs Regulation to be postponed until the amendments to the MiFID II and IDD requirements on sustainability have been finalised. Furthermore, only the requirements of MiFID and the PRIIPs Regulation play a direct role in investment advice, whilst the SFDR plays only an indirect role. We therefore advocate initially retaining Article 8(3)(c)(ii) of the PRIIPs Regulation.

Instead, a recital within the SFDR should clarify that the PRIIPs Regulation must be reviewed with regard to sustainability disclosures once the amendments to the MiFID II/IDD sustainability requirements have been finalised. It must also be ensured that manufacturers of non-SFDR financial products (such as structured securities) continue to be required and are able to include sustainability information in the KID where applicable. Additionally, given that a further section (‘product at a glance’) is to be included as a result of the RIS, consideration should be given as to whether the current limit of three pages for the KID can be retained or whether it needs to be increased.

Should the legislators, contrary to our view, proceed with amendments to the PRIIPs Regulation as part of the SFDR review, the proposed addition to the KID must not apply solely to certain PRIIPs covered by the SFDR (such as investment funds and insurance-based investment products). In any case, it must still be possible – as has been the case to date – for PRIIPs that do not fall within the scope of the SFDR (such as structured securities) to include sustainability disclosures in their KIDs. Ideally, this information should be provided in the same section designated for SFDR financial products. This is the only way to ensure that sustainability-related products can be compared with one another and that a consistent market standard is guaranteed.