

Policy Position: SFDR Review

February 2026

General considerations

We support the simplification of the **Sustainable Finance Disclosure Regulation (SFDR)** to improve clarity and integration with the Sustainable Finance framework and streamline the understanding along the value chain for the benefit of investors. At the same time, it is essential that the **unique characteristics of the insurance sector** are addressed in the forthcoming negotiations. Particularly, the **treatment of sovereigns** will be key to determine the applicability of the categorisation system to life insurance products.

Key proposals

Categorisation system for financial products

Allianz overall welcomes the introduction of product categories on a voluntary basis, however, identifies a series of challenges regarding the consideration of the specificities of insurance products.

- **Treatment of sovereigns:** We support that sovereigns are considered in the revised SFDR. Thus, they can qualify for the numerator of the portion of investments considering sustainability factors in accordance with the ESG basics category (Art. 8). **In addition, sovereign investments should generally be eligible for contributing to the objectives of all product categories (Art. 7, 8 and 9), for the following reasons:**
 - **Given that sovereign bonds constitute a significant portion of insurance portfolios, investors operating as insurance undertakings under Solvency II are explicitly required to assess sustainability risks in relation to these investments.** Excluding sovereign bonds from the categorisation framework would therefore not prevent their evaluation under sustainability criteria but would merely disadvantage insurance products and other products with substantial sovereign exposure, without achieving any corresponding regulatory benefit (further details in the Annex).
 - To ensure a level playing field across all financial products, including insurance products, it's crucial that the treatment of sovereign investments is consistent throughout all categories. Sovereign bonds form a key component of insurers' General Account of life insurance products (on average 25% in Germany, see further details in the Annex). **Level 1 regulation should not preemptively disqualify an entire asset class from eligibility.**
 - In the last few years, the assessment of sovereign sustainability risks and the contribution of sovereigns to climate change mitigation and adaptation evolved, **offering appropriate methodologies** (further details in the Annex).
 - The SFDR's main objective is to channel investments into a sustainable economy. **Excluding sovereigns from the sustainable and transition categories would shift the entire responsibility of driving the transition onto corporations, obscuring the crucial role and accountability of sovereign states in this process.** Also, it would be detrimental to effectively demonstrate the sustainability characteristics of life insurance products that rely on sovereign debt investments for asset liability maturity matching.

However, in case sovereigns are not considered in all categories, it should be clarified that they are not only excluded from the numerator, but, accordingly, also from the denominator for defining the threshold for the categories. Otherwise, it would disincentive investments into sovereign debt or supranational organisations (e.g. European Investment Bank), as it would negatively impact the required threshold for Art. 7 and 9 products. Accordingly, to ensure the comparability and transparency of products, disclosure on the total share of sovereign/sub-sovereign and supra-national investments in the financial product should be required.

- **Multi-Option Products (MOPs):** The scope of Art. 9a requires clarification, specifically to confirm the inclusion of MOPs. Also, it should be clarified that the 70% threshold pertains to the classification of the underlying funds, i.e. when 70% of the funds within a MOP fulfill the sustainability-related criteria, the MOP should be categorised accordingly. In other words, the threshold should not be determined by a look-through calculation of the investments within the funds. In addition, it should be reflected more clearly within the wording of Art. 9a (1) that classified MOPs, meeting the criteria of Art. 7, 8, 9, are considered categorised and can be named as well as using sustainability-related claims in marketing materials accordingly.
- **Sustainable Investment definition:** The absence of a standardised definition of "sustainable investments" across different asset classes and product categories creates ambiguity in how such investments can be aggregated in Fund of Funds structures or at the General Account level. Consequently, identical underlying assets may be classified differently depending on the product wrapper. Additionally, it becomes unclear how sustainable or transitional investments within a non-categorised fund can be accounted for or attributed towards the sustainability profile of a Fund of Funds or a General Account-based product (e.g. a non-categorised fund comprising 60% sustainable or transition investments, such as an infrastructure fund including an investment into a wind park). **To allow the aggregation of Fund of Funds and General Accounts, a joint across-category method as to underlying investments/assets is required, independently of the product category in which these assets are held.**
- **Exclusions:** We understand that customers of a sustainable product category would expect not to be invested in fossil fuel issuers. Nonetheless, fossil fuel exclusions should appropriately reflect the current economic reality of the transition path and hence be nuanced for the transition and ESG basics categories. In other words, **for the transition and ESG basics categories, exclusions should focus on equity and new fixed income investments, allowing the run-off of pre-existing investments.** This approach would guarantee that no additional CO2 emissions are financed while pre-existing emissions are phased out.

Further proposals

- **Principle Adverse Impact (PAI) indicators:**
 - **Deletion of entity-level disclosures:** We support the deletion of PAI indicators at entity-level for Financial Market Participants (FMPs) in the SFDR. In addition, to reduce the bureaucratic burden, there should be a "stop the clock" provision for the PAI statement at entity level required under the existing SFDR to discontinue disclosures at the entity level already while the new SFDR is being implemented.
 - **Changes to product-level disclosures:**
 - We consider the concept of PAI indicators at the product level suitable to enable informed decision making for investors. Many have incorporated PAI data into their investment strategies to effectively account for adverse impacts on sustainability factors at investment level. In addition, Solvency II explicitly requires insurers to consider the long-term adverse impacts on sustainability factors in their investment decisions, which mirrors the PAI concept (further details in the Annex).

- Hence, we do not support the European Commission's proposal to introduce a flexible approach to PAI disclosure at the product level. Instead, mandatory disclosure requirements for a selected set of PAIs should be established based on the current mandatory PAI indicators, which should be accessible upon request to professional clients across all categories.
- It is fundamental to maintain these PAI indicators in the SFDR, also to safeguard the integrity of this vital data under the Corporate Sustainability Reporting Directive (CSRD). Concretely, in the context of the revision of European Sustainability Reporting Standards (ESRS), it should be ensured that the set of mandatory PAI indicators as referenced by ESRS 2 Appendix B and corresponding data points are preserved.
- **Financial advisers:** We support the proposal to remove financial advisers from the scope of the SFDR.
- **Interlinkages with the Empowering Consumers Directive (EmpCo):** We welcome recital 12 stating that the requirements of the EmpCo are deemed fulfilled if the criteria of the SFDR are met. However, it should be incorporated into an article to ensure legal certainty.
- **Professional clients:** Professional clients should be excluded from the scope and should be able to opt in. The focus of the SFDR should facilitate retail clients' choice of sustainable products. Professional clients have the need for and the understanding of much more tailored products. The categorisation would not necessarily fit their needs. They should be able to decide unilaterally whether they would like their products to be in scope of the SFDR or not.
- **Legacy products:** We have serious concerns regarding the future handling of legacy products, given the fact that life insurance products generally have very long contract terms. We therefore call for solutions to avoid overlapping obligations from the "old" and "new" SFDR, especially regarding underlying KPIs of products like sustainability indicators or minimum shares of sustainable investments.
- **Application timelines and level 2 regulation:** Clarification is needed for how to apply the additional transition period of 12 months for products not covered by the ESMA Fund Naming Guidelines. Appropriate timelines for level 2 regulation and consideration of interconnections between levels 1 and 2, particularly ensuring sufficient lead time for the market (at least 12 months after coming into force of level 2 regulation), are needed.
- **Interlinkages with IDD/MiFID II:** The review of the SFDR should be taken as an opportunity to remedy the complexity of the legal framework on the mandatory enquiry of the sustainability preferences under IDD/MiFID II.

ANNEX

The General Account explained

The **General Account** is of key importance for the German market (asset base of EUR 1,019 bn in 2024 according to data from the German Insurance Association (GDV)). It is under fiduciary supervision and plays a crucial role in overseeing the asset-liability management of long-term life insurance products with guarantees. Given that General Account-based products often provide guarantees for several decades, the duration of underlying liability-matching assets must also be long-term. Consequently, long-dated sovereign bonds form a key component of the investment strategy within the General Account. **On average, sovereign, sub-sovereign and supra-national debt represents around 25% of German General Accounts.** If sovereign debt is excluded from counting towards the contribution of financial products to the sustainable and transition categories, this would discriminate General Account-based products by default.

[Link to Solvency II Regulation \(PAI indicators / Sovereign bonds\)](#)

Investors operating as insurance undertakings under Solvency II are explicitly required under **Article 275a of the Delegated Regulation (EU) 2015/35** to consider sustainability risks in their investment activities, a requirement which is mirrored in the PAI concept.

As sovereign bonds are a key component of many insurance portfolios, they cannot be excluded from this provision. Sustainability risks related to sovereign debt – such as insufficient progress towards climate-neutral economies – can affect a government’s fiscal resilience, creditworthiness, and ultimately portfolio value. It is therefore **imperative** not only to integrate these sustainability risks into investment decisions, but also to **evaluate the risks arising from inadequate support for the climate transition**. Concretely, Solvency II states:

“When identifying, measuring, monitoring, managing, controlling, reporting and assessing risks arising from investments...insurance and reinsurance undertakings shall take into account sustainability risks.” Moreover, they must “take into account the potential long-term impact of their investment strategy and decisions on sustainability factors...”

This robust sustainability risk assessment **should be formally recognised by the SFDR**. Incorporating an explicit review of sovereign-related sustainability risks ensures that both Solvency II compliance and ESG transparency obligations are met – demonstrating comprehensive stewardship of investor funds.

Example of transitional sovereign assessment

Sovereigns that are actively transitioning towards net zero support the achievement of global climate goals, the creation of environments enabling private sector decarbonisation, and the development of resilient, low-carbon economies. Accordingly, **the SFDR should continue to consider sovereign bonds to provide a holistic overview of underlying investments in SFDR products.**

Based on the UN-convened NZAOA framework, Allianz already analyses and assesses government bonds in terms of their contribution to the transformation toward a climate-neutral economy, using the ASCOR tool. ASCOR criteria could also be used as a basis for the EU:

- Financial market participants shall disclose how they assess the alignment of sovereign exposures with climate transition objectives, including:
 - Current and projected greenhouse gas emissions trajectories at the national level
 - Existence and credibility of climate-related policies and targets supporting the transition to a low-carbon economy