



European Commission proposal for the review of the Sustainable Finance Disclosure Regulation

February 2026

On 20 November 2025, the European Commission published its proposal for a comprehensive review of the Regulation on sustainability-related disclosures in the financial services sector¹ (SFDR). The initiative aims to address two problems identified following its implementation: (1) the high complexity and compliance costs for financial market participants and (2) the lack of clarity and comparability of information for investors. Added to this is the misuse of Articles 8 and 9 as marketing labels, which has led to inconsistent practices and risks of greenwashing.

With these objectives in mind, the proposal aims to simplify obligations, strengthen investor protection through a clear product categorisation system and align the SFDR with other European rules on sustainable finance². Several of these rules are also under review. At the same time, the aim is to strengthen the competitiveness of the European financial sector and the functioning of the single market.

Once the final text is approved, it is expected to enter into force 20 days after its publication and become applicable 18 months later, with an additional 12-month period for pension products in relation to Articles 7 to 11³.

¹ [Regulation \(EU\) 2019/2088 of the European Parliament and of the Council, of 27 November 2019, on sustainability-related disclosures in the financial services sector.](#)

² Taxonomy Regulation: [Regulation \(EU\) 2020/852 of the European Parliament and of the Council, of 18 June 2020](#). Corporate Sustainability Reporting Directive or CSRD: [Directive \(EU\) 2022/2464 of the European Parliament and of the Council, of 14 December 2022](#). MiFID II Level 2 on sustainability preferences: [Commission Delegated Regulation \(EU\) 2017/565, of 25 April 2016](#) and [Commission Delegated Directive \(EU\) 2017/593, of 7 April 2016](#). Regulation on European climate benchmarks: [Regulation \(EU\) 2019/2089 of the European Parliament and of the Council, of 27 November 2019](#). ESG ratings Regulation: [Regulation \(EU\) 2024/3005 of the European Parliament and of the Council, of 27 November 2024](#).

³ Time for necessary adjustments due to not currently being subject to the ESMA Guidelines on ESG terms in fund names ([Guidelines on fund names using the term ESG or sustainability-related terms](#)), which already contain some of the new requirements included in the SFDR revision.

Pregunta

Which obligations disappear in the new proposal?

Respuesta

The proposal **removes the entity-level reporting obligations** relating to principal adverse impacts (PAI, Art. 4) and the integration of sustainability risks into **remuneration policies** (Art. 5) to avoid duplication with CSRD and reduce administrative burdens. However, the obligation to publish the sustainability risk integration policy on the website (Art. 3) remains.

The subjective scope is redefined: financial advisers are excluded from the SFDR as they do not produce or manage products. Their role will focus on identifying products that match their clients' sustainability preferences, for which distribution rules (in the case of the securities market, set out in level 2 of MiFID II) will be adjusted to the new categories. The same applies to **discretionary portfolio management**, as these products are not designed and marketed as products aimed at certain target markets. As a result, **credit institutions and investment firms** are also excluded from the scope of the SFDR.

The definition of sustainable investment in Article 2(17), which has led to challenges in its practical application, interpretation issues and divergent practices, **is deleted**. The concepts of contribution, no significant

harm and good governance will be integrated in a simplified manner into the category requirements so that they are easy to apply and have clear and simple criteria.

Pregunta

Which are the proposed categories and what do they consist of?

Respuesta

Three voluntary categories are proposed: **sustainable** (Art. 9), **transition** (Art. 7) and **ESG basics** (Art. 8). In addition, **impact investing** practices will be recognised in products in the sustainable and transition categories with the aim of generating a predefined, positive and measurable social or environmental impact.

Sustainable Category - Article 9

Products that invest in sustainable activities or contribute to environmental or social objectives.

▪ **Conditions:**

- **Threshold of 70%** of investments with a sustainable objective, measurable with appropriate sustainability indicators, or a **minimum of 15%** of investments **in activities aligned with the EU taxonomy** (this percentage will be reviewed three years after the implementation of the standard to adapt to developments in market practices in EU taxonomy).
- **Exclusions:** all exclusions listed in Article 12(1)⁴ of Delegated Regulation (EU) 2020/1818 on EU climate-related benchmarks⁵ as well as investments in companies that develop (i) new projects related to hard coal and lignite, oil or gaseous fuels, or (ii) new projects or do not have plans to phase-out from activities involving hard coal or lignite for power generation. However, investments in debt issued by companies carrying out excluded activities may be included in the 70% threshold provided that they are use of proceeds instruments issued in accordance with Article 3 of the European Green Bonds Regulation⁶, do not finance activities excluded from this category and the issuer is not excluded under Article 12(1)(c) of Delegated Regulation (EU) 2020/1818.
- **PAI:** the obligation to consider PIA and use mandatory indicators is replaced by a **more flexible** framework. In the transition and sustainable categories, PIA and actions to address them must be identified and reported, with the option of **voluntarily** using indicators to be defined at level 2 (based on those already existing in the SFDR and CSRD delegated regulations⁷), other indicators considered appropriate, or qualitative explanations.

The above conditions shall be deemed to be met by financial products **replicating or are managed in reference to an EU Paris-aligned benchmark**.

- **Sovereign debt:** given the inability to assess the sustainability of general sovereign debt, it is excluded from the contribution and may be included in the remaining 30% of investments to be made in accordance with diversification, hedging or liquidity needs, provided that they are consistent with the sustainable objectives of the product. On the other hand, use of proceeds instruments issued by public sector bodies may be included in the contribution under the same requirements as those mentioned for corporate debt.
- **Types of possible investments:** portfolios replicating or managed in reference to an EU Paris-aligned benchmark, activities aligned with the EU taxonomy, instruments issued in accordance with Article 3 of the European Green Bonds Regulation; investments comparable to the above justified by high performance in sustainability standards; investments and co-investments financing the same company, project or portfolio benefiting from a Union budgetary guarantee or financial instruments under Union programmes pursuing environmental or social objectives; investments in European Social Entrepreneurship Funds (EuSEF) and other investments contributing to sustainable objectives with appropriate justification.

Transition category - Article 7

Products that invest in companies and/or projects that are not sustainable but are on a credible transition path, or investments that contribute to climate, environmental or social improvement.

■ **Conditions:**

- **Threshold of 70%** of investments with a measurable transition objective in line with the strategy or a **minimum of 15% aligned with the EU taxonomy**, including transitional economic activities referred to in Article 10(2) of the Taxonomy Regulation and taxonomy-eligible economic activities becoming taxonomy-aligned in accordance with a 'CapEx plan', as established in Section 1.1.2.2 of Annex I of Delegated Regulation (EU) 2021/2178⁸.
- **Exclusions:** investments in companies referred to in Article 12(1)(a), (b), (c) and (d) of Delegated Regulation (EU) 2020/1818 and with new projects in fossil fuel-related activities as in the sustainable category. However, investments in use of proceeds instruments from excluded companies may count towards the 70% threshold provided that they meet certain requirements.
- **PAI:** the same requirements apply as for the sustainable category.

The above conditions shall be deemed to be met by financial products **replicating or managed in reference to an EU climate transition benchmark or an EU Paris-aligned benchmark.**

- **Sovereign debt:** the same criteria apply as for the sustainable category.
- **Types of possible investments:** portfolios replicating or managed in reference to EU climate benchmarks; activities aligned with the EU taxonomy as already mentioned; companies with credible transition plans or credible science-based targets; investments accompanied by engagement strategies with milestones and escalation actions if there are no changes; sustainable investments in accordance with Article 9 of the SFDR; investments with emissions reduction targets at portfolio level and other investments contributing to a credible transition.

ESG basics category - Article 8

Other products that integrate a variety of ESG approaches, but without a specific impact or environmental/social objective (such as investments with the best performance in a given ESG metric or that exclude investments with the worst ESG performance while seeking financial returns).

■ **Conditions:**

- **Threshold of 70%** of investments integrating ESG factors according to the strategy.
- **Exclusions:** investments in companies referred to in Article 12(1)(a), (b), (c) and (d) of Delegated Regulation (EU) 2020/1818. However, investments in use of proceeds instruments from excluded companies may count towards the 70% threshold provided that they meet certain requirements.
- **Sovereign debt:** for this category, investments in sovereign debt may be included as a contribution, using available methodologies that are appropriate for assessing the sustainability of such investments for that purpose.
- **Types of possible investments:** investments that outperform the average investment universe or benchmark in a ESG rating or a specific sustainability indicator; investments based on a positive track record in ESG processes or results; combination of possible investments for the transition or sustainable categories; other investments that integrate sustainability factors beyond the consideration of sustainability risks with due justification.

Marketing and naming (Art. 13): only categorised products may use sustainability claims in their name and marketing communications. The use of the term "impact" in the name is reserved for impact products. When an entity includes information on an ESG rating in accordance with Art. 3 of Regulation (EU) 2024/3005⁹ in its marketing communications, its website must contain the same information as that required in point 1 of Annex III to that Regulation and its marketing communications must include a link to the information on that website.

⁸ In summary: a) controversial weapons, b) tobacco, c) companies in violation of the United Nations Global Compact principles or the OECD Guidelines for Multinational Enterprises, d) companies with 1% or more of their revenue from activities involving hard coal and lignite, e) companies with 10% or more of their revenue from activities involving oil fuels, f) companies that derive 50% or

more of their revenue from activities involving gaseous fuels, and g) companies that derive 50% or more of their revenue from electricity generation with a GHG intensity of more than 100 g CO₂ e/kWh.

⁵ [Commission Delegated Regulation \(EU\) 2020/1818, of 17 July 2020.](#)

⁶ [Regulation \(EU\) 2023/2631 of the European Parliament and of the Council, of 22 November 2023.](#)

⁷ SFDR Delegated Regulation: [Commission Delegated Regulation \(EU\) 2022/1288, of 6 April 2022.](#) CSRD Delegated Regulation: [Commission Delegated Regulation \(EU\) 2023/2772, of 31 July 2023.](#)

⁸ [Commission Delegated Regulation \(EU\) 2021/2178, of 6 July 2021.](#)

⁹ [Regulation \(EU\) 2024/3005 of the European Parliament and of the Council, of 27 November 2024.](#)

Pregunta

What does the SFDR establish for products other than those categorised?

Respuesta

Article 6a allows **uncategorised products** to include **voluntary information** on how they consider **sustainability factors** in pre-contractual and periodic documentation, **provided that** it is **secondary** (less than 10% of the space devoted to the strategy, neutral and not central), **is not included in the** Key Investor Information Document and **does not constitute "claims"** specific to the categories. These products **may not use sustainability claims** in their name and marketing communications (Art. 13).

Article 9a regulates **products that combine** categorised financial products. If they reach the threshold of **70%** invested in **categorised products** and meet the required exclusions, **they may be categorised** according to the resulting combination. If they do **not reach** 70%, they must **disclose the composition** (share invested in each category and the part that does not meet the requirements of the categories, as well as their objectives/strategy) and the applicability of any exclusion. **Uncategorised** products under Article 9a **may** make sustainability **claims** in **marketing communications (not in the name)** provided that they are **clear, not misleading** and consistent with the information on the composition of the product.

Pregunta

What will be supplemented at level 2?

Respuesta

The aim is to define the main characteristics at level 1, with limited developments at level 2, **specifying** (Art. 19b):

- **Conditions for the contribution to sustainable objectives/the integration of sustainability factors**, which will include: **voluntary indicators** (based on those in the SFDR and CSRD Delegated Regulations), **methodologies** for calculating **the 70% threshold**, including any applicable phase-in period, **possible limited deviations** in exclusions (e.g. for the purpose of meeting leverage needs) and conditions to be met by potential **eligible investments**.
- Concise **presentation templates: mandatory data and indicators** are reduced, priority is given to **material information for comparing products**, pre-contractual and periodic information must not exceed **two pages** and impact information must not exceed **one page**.

Pregunta

What other relevant changes should be taken into account?

Respuesta

Estimates and data (Art. 12a): the use of **data from external providers** is formalised through **documented arrangements** and **internal estimates** through **documented methodologies**. In the first case, the name, contact details and methodology used, if available, **must be provided at the client's request**. In the second case, information on **methodologies and assumptions** (including the treatment of missing datapoints) must be provided.

Exemptions (Art. 17): possibility of **non-application** of SFDR for **closed-end products** created and distributed **prior** to the application of the reviewed Regulation; furthermore, SFDR shall apply **without prejudice** to the use

of other **voluntary labels** whose features exceed those of the categories provided for in SFDR.

Member States **may not impose requirements additional** to those set out in Articles 3, 6, 10, 11, 13 and Articles 7-9, thereby strengthening the **harmonisation** of the single market.

Links of interest:

[EC proposal for the review of the Disclosure Regulation \(SFDR\)](#)

[EC questions and answers on the proposed SFDR reform](#)

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