PRESS RELEASE

SFDR review: Council position leaves important gaps unresolved

Brussels, 25 June 2026

Brussels, 25 June 2026 – Eurosif, the leading pan-European sustainable finance association, welcomes that EU Member States have maintained the overall architecture of the European Commission's proposal in their general approach on the review of the Sustainable Finance Disclosure Regulation (SFDR). However, the position adopted yesterday at COREPER contains important gaps that must be resolved to ensure the future SFDR framework remains credible, comparable and effective in preventing greenwashing for both retail and professional investors.

The proposed **professional investor opt-out** could undermine market integrity by allowing products targeting exclusively professional investors to fall outside the SFDR framework. This could leave smaller professional investors, such as local government pension schemes with limited resources, without the comparability and safeguards provided by SFDR, creating uneven levels of protection across the market.

Others important issues also remain. In particular, the **absence of the Do No Significant Harm principle** in relation to the **sustainable category** and the **lack of minimum social and governance safeguards** across product categories risk weakening the credibility of sustainability claims and investors' due diligence efforts. Furthermore, the **absence of dedicated criteria for products with social objectives**, or for **specific classes of assets** such as real assets, creates a significant gap in the framework.

Nathalie Dogniez, Chair of Eurosif, said "*For SFDR to remain both effective and practical, further improvements are needed. The framework's criteria and thresholds should be better calibrated to different asset classes, including private and real assets, to ensure they are fit for purpose. At the same time, the omission of the Do No Significant Harm principle from the sustainable category remains a major concern, as it weakens an essential safeguard underpinning the credibility of sustainability claims*."

The possibility to **bypass exclusions of the "transition" category** where companies have at least 20% of CapEx aligned with the EU Taxonomy and a Scope 1 and 2 GHG emissions reduction plan adds complexity and does not guarantee credible transition commitments. This is especially relevant for fossil fuel companies, where Scope 3 emissions are often the most material and must be considered to assess the credibility of transition strategies.

The treatment of **sovereign bonds in the transition category** also raises concerns, as allowing general-purpose sovereign bonds issued by EU Member States to contribute to a transition objective, up to 15% of the portfolio, may create uncertainty over how they bring a measurable contribution to transition objectives. Clear disclosures over which portion of these instruments are used for diversification purposes and do not contribute to the objective are needed to ensure transition claims remain clear, verifiable and comparable across products.

On **product-level disclosures**, the introduction of disclaimers for non-categorised products is a positive step forward, as it helps distinguish them from products meeting SFDR minimum criteria.

Mandatory disclosure of a limited set of three Principal Adverse Impact indicators can also support transparency, provided these indicators are meaningful and further specified at technical level – however, the Council position limits this to the "sustainable" and "transition" categories and leaves the choice of the indicators to financial institutions, which would hinder comparability.

Finally, maintaining the **deletion of entity-level disclosures** would deprive end-investors, stakeholders and supervisors of the context needed to assess how product-level claims align with firms' overall sustainability approach, exclusion policies, engagement practices and due diligence processes.

Aleksandra Palinska, Executive Director of Eurosif, said: "*Further safeguards are needed to ensure SFDR 2.0 remains credible and effective. In particular, the transition category must enable investors to identify and support companies genuinely moving onto a robust transition pathway. An oil major that continues to develop new oil fields cannot credibly claim to be transitioning, even if a fraction of its CapEx goes into renewable energy*."

Eurosif calls on co-legislators to strengthen the SFDR review during the next stages of the legislative process by reinforcing core criteria, ensuring robust minimum safeguards across all product categories, and meaningful product and entity-level transparency.

Next steps

The European Parliament's Economic and Monetary Affairs (ECON) committee is expected to vote on its negotiating position on 15 July. This will pave the way for trilogue negotiations between the European Parliament, Council of the EU and European Commission to begin, with the objective of reaching an agreement by the end of 2026 under the Irish Presidency of the Council.

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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, banks and other financial market participants. 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

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