Position Paper

AFME and ISDA views on SFDR 2.0 proposal

February 2026

Introduction

The Association for Financial Markets in Europe (AFME) and the International Swaps and Derivatives Association (ISDA) (together, the Associations) welcome the European Commission's proposed revision to the Sustainable Finance Disclosure Regulation (SFDR 2.0). The proposal represents important progress towards achieving the original policy objectives of the SFDR. In particular, introducing a product categorisation system and simplifying disclosures are welcome steps towards creating a framework which effectively facilitates capital flows towards the sustainable transition.

This paper sets out members' views on the Commission's proposal and provides recommendations for how to effectively achieve intended objectives of the review from the perspective of our members.

The Associations' key recommendations for SFDR 2.0 include:

1. Ensure that non-SFDR products with sustainability features can be offered to investors under MiFID and PRIIPS
2. Align the timing of application of SFDR 2.0 and the revised MiFID/IDD framework
3. Retain the removal of portfolio management and advisory services from scope
4. Uphold the proposed simplified disclosure regime and provide immediate burden relief for entity-level disclosures
5. Refine Article 7 criteria to facilitate the provision of transition finance
6. Integrate the product categories with existing market standards and the investable universe for sustainable products
7. Avoid duplicative regulatory requirements for sustainability data

Coherence between SFDR, MiFID/IDD and PRIIPS

The SFDR is closely linked with the rest of the EU financial regulatory ecosystem and retail distribution regimes. SFDR is designed to regulate "manufactured" financial products such as funds and IBIPs, which can be designed to have ESG characteristics or objectives. It is essential to recognise that products in scope of the MiFID regime but outside of the proposed scope of SFDR can meet end-clients' sustainability preferences. It is therefore necessary to review the regulatory framework holistically to ensure that it works effectively for all types of financial products.

Given the ongoing differences in perimeter between MiFID, PRIIPS and SFDR 2.0, it is essential to proceed concurrently with amending MiFID to allow for sustainability assessment of non-SFDR products and amending PRIIPS to allow disclosures about non-SFDR products

Association for Financial Markets in Europe
London Office: Level 10, 20 Churchill Place, London E14 5HJ, United Kingdom T: +44 (0)20 3828 2700
Brussels Office: Rue de la Loi 82, 1040 Brussels, Belgium T: +32 (0)2 883 5540
Frankfurt Office: c/o SPACES – Regus, First Floor Reception, Große Gallusstraßea 16-18, 60312, Frankfurt am Main, Germany T:+ 49 (0)69 710 456 660
www.afme.eu

Company Registration No: 6996678 Registered Office: Level 10, 20 Churchill Place, London E14 5HJ
AFME is registered on the EU Transparency Register, registration number 65110063986-76

in the KID. If MiFID and PRIIPS are not amended as outlined below to allow offerings of non-SFDR ESG products to clients with sustainability preferences (and disclosure in the KID), as a fallback, an opt-in should be considered for PRIIPs manufacturers to categorise specific PRIIPs products (e.g. structured investment products) in accordance with the new categorisation system.

Ensure that non-SFDR products with sustainability features can be offered to investors with sustainability preferences under MiFID

The Commission correctly acknowledges that the revised MiFID and IDD regime will need to be updated to integrate SFDR 2.0's categorisation system. The revised MiFID and IDD regime must also address assessing sustainability characteristics of products which are outside of the scope of SFDR such as structured investment products and bonds, stocks etc to ensure that they can be recommended to customers with sustainability preferences and be underliers of SFDR products. It is critical that clients are able to access the full scope of products which contain ESG characteristics via the MiFID sustainability preferences assessment and that this is not restricted to the scope of SFDR. If MiFID sustainability preferences are only linked to products in scope of the SFDR, there would be a reduction in the sustainable investment universe for end-investors, which would be contrary to the objectives of the regulation. We include a suggested recital to this effect in Annex A, Amendment 1.

Allow disclosure about non-SFDR products with sustainability features in PRIIPS KID

The proposal amends the PRIIPs KID by inserting a "How sustainable is this product?" section. As written, this section only allows distributors to disclose how a product is categorised under SFDR. The difference in perimeter between SFDR and PRIIPs means that this disclosure requirement would prevent non-fund PRIIPS from disclosing information in the new "How sustainable is this product?" section. Article 8 must allow all PRIIPS products, including those outside the scope of SFDR, to disclose how they consider sustainability factors in the "How sustainable is this product?" section of the KID.[1] We include our suggested amendment in Annex A, Amendment 2.

Timing, application and transitional regime

Align the timing of application of SFDR 2.0 and revised MiFID/IDD

Article 4 of the proposal includes an 18-month transitional period after entry into force for the implementation of SFDR 2.0. We agree that there is a need for a transitional period; as discussed above, this should be used to amend the MiFID and IDD sustainability preferences regime to align with the revised SFDR 2.0 product categories so that the SFDR and MiFID/IDD regimes can apply at the same time. As highlighted by the Platform on Sustainable Finance, there is limited ability to apply the existing MiFID sustainability preferences regime – based on "sustainable investment", Taxonomy alignment and PAI – once the revised SFDR categories are in place[2]. Revised MiFID and IDD requirements must be in place before the application date of SFDR 2.0 to allow distributors and advisers to recommend all products with ESG characteristics as suitable for clients with sustainability preferences. We include our suggested amendment in Annex A, Amendment 3.

Financial institutions which wish to apply SFDR 2.0 on a voluntary basis during the implementation period should have the flexibility to do so. The transitional system should provide explicit mapping between current and proposed Articles 8 and 9 and a clear timeline for migration.

[1] For a more detailed discussion of the products which may be in scope of MiFID but outside of SFDR scope, see e.g. Joint ESAS Opinion on the assessment of the SFDR, June 2024, Section 3.5 or Platform on Sustainable Finance, "Categorisation of Products under the SFDR", December 2024, Annex C.

[2] Platform on Sustainable Finance, "Categorisation of Products under the SFDR", December 2024, pg 30.

Provide immediate burden relief for entity-level disclosures

In contrast, given the significant time between the Commission's proposal and the expected application of SFDR 2.0, the Associations support swift adoption of reduced scope and reporting requirements to reduce burdens for firms in a timely manner. Any reductions in regulatory burden or scope (e.g. removal of entity-level and web site disclosures) should be applicable with immediate effect upon the Regulation entering into force, not subject to an 18-month implementation period. We set out our amendment to provide immediate relief for disclosures and allow voluntary application of the SFDR in Annex A, Amendment 4.

Scope

Retain removal of portfolio management and advisory services from scope

The Associations welcome the proposed exclusion of portfolio management and advisory services from the SFDR 2.0 scope. These services remain subject to MiFID requirements, and as discussed above, it is therefore essential to ensure coherence between SFDR and MiFID frameworks to avoid duplication and inconsistencies.

Disclosures

Uphold the proposed simplified disclosure regime

The Associations strongly support the removal of entity-level disclosures, including PAI and remuneration-related disclosures, retaining simplified product-level disclosures which provide useful information for retail investors. This eliminates duplicative entity-level disclosure between the CSRD and SFDR.[3]

The Associations also support the additional flexibility provided in the product-level disclosure regime. It will be important to clarify expectations for product-level disclosure at Level 2 regarding voluntary indicators and metrics. Any revised indicators should be linked to datapoints reported under the revised ESRS and the Commission's voluntary sustainability reporting standard for companies outside the scope of the CSRD (based on the Commission's VSME recommendation).The disclosure at product level should also allow flexibility in the disclosure of data, recognising that data coverage may be limited and allowing firms to focus on disclosing the most accurate and relevant data.

Product Categorisation Regime (new Articles 7-9)

The Associations have previously supported introducing a voluntary product categorisation system that mirrors existing investment strategies and how end-investors define their sustainability preferences.[4] We therefore welcome the Commission's proposal for a categorisation system. We welcome the removal of the concepts of "sustainable investment" and "Do-No-Significant-Harm" from the regulation. We note that the eligibility criteria for each product category include a number of new, undefined concepts. We would welcome prompt consultation on the eligibility criteria for each category, setting out details on what constitutes a "*credible*" transition plan and a "*robust engagement strategy*" in Article 7 and concepts such as *"progress towards integration"* and provision of evidence on an *"underperforming asset"* in Article 8.

We set out our further recommendations on each category below. These recommendations aim to (i) refine the Article 7 criteria to facilitate the provision of transition finance and (ii) integrate the categories with existing market standards and the current "investable universe" for sustainable products.

Refine Article 7 criteria to facilitate the provision of transition finance

The Article 7 transition category requires some adjustments to reflect the types of transition finance that banks provide. In the Transition category, the Commission's proposal applies

[3] Commission explanatory memorandum pg 10.
[4] AFME/ ISDA views on the review of the SFDR, June 2025.

some exclusions from the PAB which create barriers for banks providing sustainable and transition finance. From a transition finance perspective, these exclusions only consider companies' present business model and do not consider an investee's forward-looking transition pathway. To truly enable decarbonisation efforts, effective transition finance should focus on future-oriented exclusions, such as the absence of credible phase-out plans. We set out our amendment to remove additional PAB exclusions from Article 7 in Annex A, Amendment 5.

The 15% Taxonomy-aligned threshold should be differentiated between Articles 7 and 9. As currently drafted, the 15% Taxonomy-aligned threshold for Article 7 funds is identical to that for Article 9 funds and does not reference transitional economic activities or Taxonomy-eligible activities becoming Taxonomy-aligned as set out in the EU Taxonomy and its related legislation. Funds which have a minimum proportion of 15% Taxonomy-aligned investments are automatically eligible for inclusion in the 70% minimum threshold of investments in Article 9 and Article 7 funds. This contrasts with the approach taken for the 70% threshold under Article 7(2)(b), which does expressly accommodate these concepts. The 15% threshold for Article 7 funds should also reference the transitional activities described in Article 7(2)(b), as this would make the threshold significantly more workable for transition products. There is no clear rationale for excluding transitional activities from the EU Taxonomy alignment threshold for Article 7 funds.

Sustainability-linked instruments issued by Sovereign, Supranational and Agency (SSA) issuers which incentivise issuers to decarbonise over time should be eligible for inclusion in the Article 7 'Transition' category and contribute towards the 70% minimum threshold. The current text limits eligibility to EU Green Bond Standard (EU GBS) and use-of-proceeds instruments only.

Clarify the categorisation of existing bond standards and EUGB

SFDR 2.0 should allow all use-of-proceeds (UoP) green, social and sustainable bonds aligned with credible market standards (e.g. ICMA GBP and Social Bond Principles), not only products in compliance with the EU GBS, to be eligible for inclusion in the sustainable and transition categories. There is a robust market for use-of-proceeds green and sustainable bonds from both public and private issuers which would create a broader investment universe for these funds and strengthen international interoperability, while market uptake of the EU GBS is limited to date.[5] UoP instruments should be eligible for all three categories provided they comply with the exclusion criteria at project level.

Currently the proposal notes that investment in EU Taxonomy transitional activities could potentially qualify for the Transition category under Article 7. At the same time, Article 9 mentions bonds issued under the EU GBS as qualifying. An EUGB can be issued, fully or partially, with qualifying transitional activities under the EU Taxonomy – in this case it's not clear whether it would fall into Article 7 or 9.

Reconsider the eligibility of SSA instruments for Articles 7 and 9

The co-legislators should reconsider the eligibility of general-purpose SSA bonds in Articles 7 and 9 to meet the 70% minimum thresholds in order to recognise SSA bodies' contributions to the sustainable transition.

The Commission proposal's definition of 'public sector bodies' is very broad and includes a variety of issuers. Governments play a key role in setting climate targets, regulatory frameworks, and enabling the broader economic transition, while multilateral, regional and development banks e.g. EIB often have sustainability as part of their core mandate. For example, general-purpose issuances from SSAs could be eligible for Articles 7 and 9 provided "proper justification" is provided via transparent, robust sovereign sustainability assessment standards to ensure that exposures genuinely align with the product's sustainability objectives. Widely used frameworks such as ASCOR, the Net Zero Investment Framework for

[5] For an overview of the labelled green bond market in Europe and the uptake of the EU GBS, please see AFME's ESG Finance Report, Q3 2025.

Sovereigns, or the Climate Chance Performance Index (CCPI) can provide a basis for comparability.

Align exclusion criteria with BMR

Articles 7(1) and 9(1) set out criteria for inclusions and exclusions of investments to be included in the 70% minimum threshold. Products tracking Climate Transition Benchmarks (CTB) and Paris-Aligned Benchmarks (PAB) are automatically eligible for Article 7 and Article 9 funds respectively and are not required to meet the minimum exclusions set out in Articles 7 and 9.

Products which do not track CTB and PAB are subject to exclusions in Article 7(1)(c) and Article 9(1)(c) which differ from the exclusions in Article 12(1) of the EU Climate Benchmarks Delegated Regulation that supplements the Benchmarks Regulation (BMR).[6] We recommend that these new exclusions are removed as they are inconsistent with the minimum exclusion criteria that CTBs and PABs must currently apply and extremely challenging to implement in practice.

PAB and CTB exclusions are already standard in the industry and reflected in the ESMA fund-naming guidelines. These new exclusions create inconsistencies between the SFDR and the BMR frameworks that would run counter to the objectives of the Commission's simplification agenda. Harmonising SFDR exclusion criteria for Articles 7 and 9 with those set out under the BMR would reduce regulatory fragmentation, provide clearer guidance to market participants, and support a more coherent and predictable implementation of SFDR 2.0.

It is also not clear how the "new projects" criteria would apply, or what a "new project" would mean for financial institutions (specifically, conventional bonds and equity issued by financial institutions). It would be necessary to clarify how this criterion would apply to banks 1) providing new financing to existing fossil fuel projects; vs 2) providing financing into the development of new (greenfield) projects vs 3) refinancing of existing projects; and insurance companies providing coverage for such projects. The definition of "new projects" also presents an important challenge with regard to data availability. This information is not available in standard market datasets and would require issuer-by-issuer, project-level assessments, which are not operationally feasible for large, diversified investment universes managed by asset managers.

At an absolute minimum, the exclusions in Article 7(1)(c) and 9(1)(c) should not apply to UoP bonds. There is currently a possibly unintended discrepancy in the proposal where under the Transition category, Article 7(1)(c) exclusions apply to UoP bonds (including EUGB) at entity-level, while these exclusions are partially disapplied to UoP bonds under the Sustainable category. This is because UoP bonds in the Transition category are listed under Article 7(1)(b), meaning that the exclusions in Article 7(1)(c) must also apply at entity-level, but UoP bonds in the Sustainable category disapply part of Article 9(1)(c) for UoP bonds. This creates a stricter regime for the Transition category than the Sustainable category, which may be unintended and must be corrected so as not to restrict the inclusion of UoP bonds in the Transition category.

Clarify the name and criteria for Article 8

The name and construction of the Article 8 "ESG Basics" category should be improved. The use of the term "ESG" may imply that the fund does not go beyond considering ESG factors relevant to financial materiality of an investment, and the ESG Basics category requires an investment strategy which goes beyond consideration of sustainability risks. The focus of the SFDR categories is primarily on the inclusion of specific investment types combined with minimum exclusions, while exclusion as an independent strategy is not recognised, despite these products currently representing the majority of the market. The proposal demands more than exclusion for ESG Basics which could result in funds with exclusion criteria being placed under Article 6a with restricted communication about sustainability factors despite strong customer preferences specifically for exclusion strategies. Many end-investors best

[6] See Commission Delegated Regulation - 2020/1818.

understand and have clear views on what they wish to avoid investing in. Further clarification at Level 2 would be useful to explain how exclusion-only strategies are sufficient to qualify for Article 8, and if not, how exclusion-only strategies can be properly described given the requirements in Article 6a.

Clarify the treatment of derivatives exposures

We also suggest clarifying the treatment of derivatives under SFDR. Such treatment should remain proportionate and operationally feasible, taking into account the ESAs' recommendations and those of the Platform on Sustainable Finance.[7] It is important to ensure that the use of derivatives does not undermine the product's disclosed sustainability objectives and avoids unnecessary complexity or distortions in sustainability metrics. At the same time, the ability of derivatives to contribute positively should not be unduly hampered.

Coherence with other EU Sustainable Finance Legislation

As discussed above, SFDR 2.0 is closely linked not only with other financial legislation, but with other elements of the EU sustainable finance regulatory framework (CSRD, EU Taxonomy, ESG Ratings Regulation) which came into force after SFDR 1.0. We support the Commission's efforts to reduce duplication across the framework in SFDR 2.0, including by removing duplicative entity-level disclosures between the SFDR, CSRD and EU Taxonomy. We have the following additional recommendations to increase coherence with the EU sustainable finance framework:

Withdraw the ESMA fund-naming guidelines

The ESMA fund-naming guidelines should be withdrawn once SFDR 2.0 comes into effect and replaced by the new Article 13. Thresholds and exclusions are included in the revised SFDR, and the definition of "sustainable investment" has disappeared (we also note that the Articles in UCITs and AIF legislation to which the guidelines refer no longer exist). A recital of SFDR 2.0 could invite ESMA to do this.

Avoid duplicative regulatory requirements for sustainability data

Article 12a requires financial market participants (FMPs) to provide investors with additional information about the data and estimates used in product-level disclosures. While we support the Commission's aim to increase transparency for investors in how sustainability data has been sourced and used, this section is subject to very broad interpretation, runs counter to simplification objectives and imposes requirements on sustainability data products which are already subject to a separate review clause within the ESG Ratings Regulation[8]. It is important for the European Commission and ESMA to continue to assess the market for sustainability data products and to keep the need for taking regulatory action under review, but this review should take place as part of the Commission's planned review of the ESG Ratings Regulation[9].

Requiring financial institutions to disclose methodologies developed and owned by third-party data providers will require re-negotiation of contracts with data providers and create legal issues where proprietary/confidential information about methodologies cannot be disclosed. Requiring disclosure of "methodology, main assumptions and precautionary principles" for proprietary sustainability data is not consistent with requirements for transparency on ESG ratings in Article 13(5) and is duplicative when products are already subject to robust disclosure requirements and required to be fair, clear and not misleading. For this reason, Article 12a(b) requirements for FMPs to disclose information on third-party or proprietary sustainability data methodologies should be removed.

[7] Platform on Sustainable Finance, "Simplifying the EU Taxonomy to Foster Sustainable Finance", February 2025, pg 31.
[8] See Article 52(2)(c), Regulation (EU) 2024/3005.
[9] See AFME Views on proposed EU ESG Ratings Regulation, September 2023.

About AFME

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society. AFME is registered on the EU Transparency Register, registration number 65110063986-76.

AFME Contacts

Oliver Moullin
Managing Director, Sustainable Finance
General Counsel and Company Secretary
Oliver.Moullin@afme.eu

Rachel Sumption
Associate Director, Sustainable Finance
Rachel.Sumption@afme.eu

Carolina Cazzarolli
Manager, Advocacy
Carolina.Cazzarolli@afme.eu

Jack Chapman
Associate, Sustainable Finance
Jack.Chapman@afme.eu

About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 78 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: www.isda.org. Follow us on LinkedIn and YouTube.

ISDA Contacts

Stevi Iosif
Senior Advisor for Public Policy
siosif@isda.org

Annex A – Suggested Amendments

1. **Ensure that non-SFDR products with sustainability features can be offered to investors with sustainability preferences under MiFID**

Text proposed by the Commission	*Amendment*
	Recital 7a (new) **The exclusion of investment advice and portfolio management from the scope of this Regulation should not affect the ability of investment firms to offer and recommend financial instruments or financial services taking into consideration sustainability factors to meet their clients' sustainability preferences. Investment firms therefore remain entitled to appropriately consider for investment services, such as portfolio management and investment advice, other financial instruments, including transferable securities and money market instruments as defined in Annex I section C of Directive 2014/65/EU that take environmental, social, or governance criteria into consideration. The designation and marketing must be fair, clear, and not misleading.** **Transferable securities and money market instruments as defined in Annex I section C of Directive 2014/65/EU, that are not "financial products" according to Article 2(12) of Regulation 2019/2088 [or new reference] may nonetheless incorporate sustainability attributes identified in Articles 7, 8, and 9 of this Regulation.**
Justification The Commission correctly acknowledges that the revised MiFID and IDD regime will need to be updated to integrate SFDR 2.0's categorisation system. The revised MiFID and IDD regime must also address assessing sustainability characteristics of products which are outside of the scope of SFDR such as structured products and bonds, stocks etc. It is critical that clients are able to access the full scope of products which contain ESG characteristics via the MiFID sustainability preferences assessment and that this is not restricted to the scope of SFDR. If MiFID sustainability preferences are only linked to products in scope of the SFDR, there would be a reduction in the sustainable investment universe for end-investors, which would be contrary to the objectives of the regulation.	

2. **Allow disclosure about non-SFDR products with sustainability features in PRIIPS KID**

Text proposed by the Commission	Amendment
Recital 29 The amendments to Regulation (EU) 2019/2088 should be reflected in Regulation (EU) No 1286/2014 of the European Parliament and of the Council. Notably, the key information document accompanying products categorised under Regulation (EU) 2019/2088, as amended, should contain information on the category, a description of its objective, and relevant indicators.	Recital 29 The amendments to Regulation (EU) 2019/2088 should be reflected in Regulation (EU) No 1286/2014 of the European Parliament and of the Council. Notably, the key information document accompanying products categorised under Regulation (EU) 2019/2088, as amended, should contain information on the category, a description of its objective, and relevant indicators. **PRIIPs that are not in scope of SFDR but consider sustainability factors, may also include ESG disclosures in the key information document under the 'How sustainable is this product?' section**."
Article 2 "Article 8 of Regulation (EU) No 1286/2014 is amended as follows: […] (2) in paragraph 3, the following point (ca) is inserted: (ca) for a PRIIP that is a sustainability-related financial product as defined in Article 2, point (25), of Regulation (EU) 2019/2088, under a section titled 'How sustainable is this product?', its categorisation in accordance with either Article 7, 8 or 9 of that Regulation, and a description of its objective including relevant indicators.'	Article 2 "Article 8 of Regulation (EU) No 1286/2014 is amended as follows: […] (2) in paragraph 3, the following point (ca) is inserted: (ca) for a PRIIP that is a sustainability-related financial product as defined in Article 2, point (25), of Regulation (EU) 2019/2088, under a section titled 'How sustainable is this product?': **(i) For a 'sustainability-related financial product' as defined in Article 2, point (25), of Regulation (EU) 2019/2088 [or new reference], its categorisation in accordance with either Article 7, 8 or 9 of that Regulation, and a description of its objective including relevant indicators.'** **(ii) For a PRIIP that considers sustainability factors that is not a "sustainability-related financial product" as defined in Article 2, point (25) of Regulation (EU) 2019/2088** [or new reference]**, its sustainability characteristics or preferences assessed in accordance with Commission Delegated Regulation (EU) 2021/1253 of 21 April 2021** [Or new MIFID and IDD reference]**"**
Justification The planned alignment of SFDR with PRIIPs (through a dedicated KID section in Article 8) and the reuse of SFDR categories to collect clients' sustainability preferences under MiFID II reinforce the perception that SFDR is the de facto "benchmark" for identifying and defining sustainable products and thus only SFDR products are regarded and can be marketed as "sustainable". The fundamental difference in perimeter among these regimes remains	

unresolved, raising questions about how to treat products currently outside the SFDR scope[10]. For this reason, Article 8 must allow for disclosure on all PRIIPS products, including those products outside the scope of SFDR. Article 8 should refer to MiFID sustainability preferences, not to the SFDR categories.

3. Align the timing of application of SFDR 2.0 and revised MiFID/IDD

Text proposed by the Commission	*Amendment*
Recital 13 Such categories should help distributors identify the products that match their clients' sustainability preferences and perform their target market assessment and should therefore be reflected in the rules applicable under Commission Delegated Regulation (EU) 2017/56570, Commission Delegated Directive (EU) 2017/59371, and Commission Delegated Regulations (EU) 2017/235872 and (EU) 2017/235973. This would provide end-investors with a clear understanding of the main features and ambitions of sustainability-related products.	Recital 13 Such categories should help distributors identify the products that match their clients' sustainability preferences and perform their target market assessment and should therefore be reflected in the rules applicable under Commission Delegated Regulation (EU) 2017/56570, Commission Delegated Directive (EU) 2017/59371, and Commission Delegated Regulations (EU) 2017/235872 and (EU) 2017/235973. **To promote simplification and coherence between SFDR and MiFID, the Commission shall adopt revised delegated acts as soon as possible, and at the latest 12 months before the application date of this Directive.** This would provide end-investors with a clear understanding of the main features and ambitions of sustainability-related financial products in SFDR **and sustainability-related financial instruments in MiFID**.
Justification Before the application date of SFDR 2.0, MiFID and IDD requirements must be in place to allow distributors and advisers to consider and recommend all products with ESG characteristics as suitable for clients with sustainability preferences. The updated MiFID and IDD regimes must apply with the same timeline as the revised SFDR to create consistency for manufacturers, distributors and end-investors.	

4. Provide immediate burden relief for entity-level disclosures

Text proposed by the Commission	*Amendment*
Article 4 This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.	Article 4 This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

[10] For a more detailed discussion of the products which may be in scope of MiFID but outside of SFDR scope, see e.g. Joint ESAs Opinion on the assessment of the SFDR, Section 3.5 or Platform on Sustainable Finance, Categorisation of Products under the SFDR, Annex C.

It shall apply from [*18 months after entry into force*]. This Regulation shall be binding in its entirety and directly applicable in all Member States	It shall apply from [*18 months after entry into force*], **except for the changes under Article 1, (2) (a) – (d), and Article 1 (5) which shall apply immediately upon entry into force of the Regulation.** **Undertakings may, however, choose to apply *Regulation (EU) 2019/2088* [or new reference] upon entry into force.** This Regulation shall be binding in its entirety and directly applicable in all Member States.
Justification SFDR 2.0 should provide immediate burden reduction by suspending the obligations to prepare entity-level PAIs and product-level website disclosures pending the implementation of the full regulation. Any reductions in disclosures (e.g. removal of entity-level and web site disclosures) should be applicable with immediate effect upon the Regulation entering into force, not subject to an 18-month implementation period. This is necessary to provide simplification and reduce burdens for firms as soon as possible. Financial institutions which wish to apply the revised SFDR on a voluntary basis during the implementation period should have the flexibility to do so. Financial institutions may wish to prioritise the development of new product categories and the preparation of any new disclosures, rather than expend resources to maintain the existing framework. The proposal should enable this flexibility.	

5. Refine Article 7 to facilitate the provision of transition finance

Text proposed by the Commission	*Amendment*
Article 1(8) amending Article 7(1)(b) (b) they exclude investments in companies as referred to in Article 12(1), points (a), (b), (c), and (d) of Commission Delegated Regulation (EU) 2020/1818*[4], with the exception of investments in use of proceeds instruments issued by companies: (i) in accordance with Article 3 of Regulation (EU) 2023/2631 of the European Parliament and of the Council*[5]; or (ii) where the proceeds do not fund any underlying activities as referred to in Article 12(1), points (a), (b) and (d), of Delegated Regulation (EU) 2020/1818, provided that the issuer of the use of proceeds instruments is not excluded under Article 12(1), point (c), of that Regulation.	Article 1(8) amending Article 7(1)(b) (b) they exclude investments in companies as referred to in Article 12(1), points (a), (b), **and** (c), ~~**and (d)**~~ of Commission Delegated Regulation (EU) 2020/1818*[4], with the exception of investments in use of proceeds instruments issued by companies: (i) in accordance with Article 3 of Regulation (EU) 2023/2631 of the European Parliament and of the Council*[5]; or (ii) where the proceeds do not fund any underlying activities as referred to in Article 12(1), points (a) and (b), of Delegated Regulation (EU) 2020/1818, provided that the issuer of the use of proceeds instruments is not excluded under Article 12(1), point (c), of that Regulation.
Justification	

The exclusion set in Article 12(1)(d) of the Commission Delegated Regulation (EU) 2020/1818 should not be applicable for the Transition category.

A forward-looking perspective should prevail under transition finance. To truly enable decarbonisation efforts, effective transition finance should focus on future-oriented metrics such as credible transition plans or science-based targets.

The Transition category is central to scaling transition finance. Its design should ensure enabling rather than restricting financing for high-impact sectors so that the category can capture products supporting companies or assets that are not yet sustainable today but are on a credible transition pathway.