

Swiss Finance Council's Recommendations on the legislative proposal to review the Sustainable Finance Disclosure Regulation (SFDR)

Introduction

The Swiss Finance Council (SFC) represents financial institutions headquartered in Switzerland with a significant presence in, and commitment to, the EU. Our members operate as (retail) investment product manufacturers, distributors, and advisors, serving EU clients from both within the EU and on a cross-border basis. Accordingly, they contribute to mobilising and providing long-term capital, which help fund EU companies and projects, creating jobs and promoting sustainable economic growth.

We strongly support efforts to build an effective framework for sustainable finance to facilitate the transition to a sustainable economy, and we credit the EU for its leadership in the sustainable finance space. In this regard, the original Sustainable Finance Disclosure Regulation (SFDR)¹ has made considerable headway in enhancing the transparency and comparability of sustainability-related financial products.

We warmly welcome the Commission's legislative proposal to review the SFDR² as we believe that the proposed revision has the potential to address implementation challenges and shortcomings of the original SFDR framework, thereby unlocking the financial sector's ability to support investments that will help drive the transition to a sustainable and resilient economy as well as investors' ability to seize growth opportunities in this space.

The Commission's proposal goes a considerable way in meeting this ambition. We judge it to **be a proportionate and commercially practical solution** that should improve the functioning of the framework and attract private funding to help Europe make the shift to a sustainable economy, while making the requirements more workable in practice. **We therefore encourage co-legislators to maintain and protect the balanced approach taken by the Commission.**

Building on our responses to the 2023 targeted consultation and the May 2025 Call for Evidence to inform the impact assessment³ ahead of the now published legislative proposal, the SFC and its members would like to offer the following technical considerations from a practitioners' perspective to support co-legislators in their deliberations:

I. Ensure a workable implementation approach across all legislative levels

Financial market participants including the SFC's members have already invested – and are in the process of investing – substantial resources into implementing the original SFDR framework and integrating sustainability preferences into suitability assessments under MiFID II. Any changes introduced through the ongoing SFDR review will necessarily trigger new rounds of internal adaptation, associated with considerable complexity and implementation costs.

Accordingly, we re-iterate our call to EU policymakers to provide realistic and predictable implementation timelines. At Level 1, we **urge co-legislators to ideally extend the implementation period to 24 months, but at a minimum retain the foreseen 18-month implementation period⁴**, while calling on the Commission to **deliver required Level 2 specifications well in advance of the**

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 [SFDR].

² [Proposal](#) for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) and repealing Commission Delegated Regulation (EU) 2022/1288 [SFDR review proposal].

³ Joint association [response](#) to the Call for Evidence for an impact assessment ahead of the revision of the SFDR; SFC [response](#) to the targeted consultation on the implementation of the SFDR.

⁴ SFDR review proposal – Art. 4.

application date – at a minimum of 12 months – to allow financial market participants sufficient time to implement the changes and reach operational readiness. Building on this, we **call on the Commission to ensure that the Level 1 text and Level 2 specifications come into effect at the same time.**

With respect to these forthcoming specifications at Level 2, it is crucial that **future Delegated Acts remain aligned with the proportionate and balanced approach envisaged at Level 1.** The potential benefits of a simplified and more effective SFDR framework could easily be undermined if complexity is merely shifted from Level 1 to Level 2.

II. Ensure the coherence of the EU’s sustainable finance framework

The SFDR – as one of the core building blocks of the EU’s sustainable finance framework – is embedded in the wider sustainable finance framework that is characterised by a substantial number of interdependencies and cross-references. We urge **co-legislators to take due account of these interlinkages in their discussions on the SFDR review proposal.** Building on this, we would like to highlight the following points:

- **Ensure a single, coherent framework on the sustainability-related naming of funds**

We welcome that the Commission’s proposal aims to put forward a single, coherent framework at the EU-level on the provisions relevant to the sustainability characteristics of funds and the use of certain names and terms in accordance with the proposed categories. This is preferable to a dispersion of provisions, further exacerbated by divergent interpretation and application at the national level, as in the case of the current ESMA guidelines on funds’ names using ESG or sustainability-related terms⁵. **Considering the integration in the Level 1 SFDR text, these guidelines become redundant following the SFDR revision and should accordingly be revoked in their entirety** to converge on the EU’s broader simplification objective. To ensure a smooth transition and legal certainty, it is crucial that the Commission and ESMA clarify as soon as possible this intent with regard to ESMA’s guidelines, with a view to ensuring a single, coherent framework, which does not impede the implementation of the revised framework.

- **Streamline the MiFID II sustainability preferences framework in line with the revised SFDR**

The Commission’s proposal narrows the SFDR’s focus on specific requirements applicable to financial market participants which manufacture, manage or make available sustainability-related financial products⁶. This will further strengthen the regulatory coherence of the EU’s sustainable finance framework and contribute to the delivery of the EU’s broader simplification and streamlining ambition. In particular, we strongly support **the corresponding exclusion of investment advice and portfolio management services from the scope of the revised SFDR.** Removing these mandates from SFDR’s scope introduces much-needed clarity and proportionality, ensuring that regulatory requirements match the nature of the offering. **However, the refined scope requires a logic corresponding to the new product categorisation system to be reflected in the forthcoming revision of rules applicable to product distributors,** i.e. the Delegated Acts specifying the assessment of sustainability preferences and the matching of those preferences with corresponding products and services under the Markets in Financial Instruments Directive (MiFID II)⁷. In this spirit, it is key that the revision reflects that segregated accounts (as well as other services and instruments) that are no longer in the scope of the revised SFDR can also be used to meet clients’ sustainability preferences. Since the new categories will not fit with such offerings, we call on the **Commission and ESMA to adopt a principles-based approach where financial institutions are able to elucidate**

⁵ European Securities & Markets Authority’s (ESMA) [guidelines](#) on funds’ names using ESG or sustainability-related terms.

⁶ SFDR review proposal – Recital 7 & SFDR amended Art. 1 (and corresponding amendments).

⁷ Commission Delegated [Regulation](#) (EU) 2021/1253 of 21 April 2021 amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms.

sustainability preferences of clients with segregated accounts (as well as other applicable services and instruments) in terms that are relevant to the offering being sold.

Building on this, we call on the **Commission and ESMA to ensure that this revision results in an overall more workable, more streamlined, and simpler framework**, as the currently applicable rules have proven to be overly granular and prescriptive requiring terms that can be very difficult for clients to understand. This would in turn also ensure coherence with the EU's broader simplification objective that has underpinned the legislative proposal to review the SFDR and other corresponding workstreams. With a view to the implementation timeline and to provide a degree of predictability for market participants, we further **call on the Commission to provide as soon as possible further clarity on the foreseen approach and structuring of the revised rules.**

In this context, we would like to draw attention to the fact that other jurisdictions such as Switzerland have adopted and implemented comparable regimes, albeit in a more principles-based and less prescriptive manner than the current EU regime, providing a potential blueprint for the EU's revision (s. text box below).

SBA GUIDELINES INTEGRATING ESG PREFERENCES AND RISKS INTO INVESTMENT ADVICE AND PORTFOLIO MANAGEMENT

Building on Switzerland's tradition of industry self-regulation, the Swiss Bankers Association (SBA) issued binding [Guidelines](#) on integrating ESG preferences and risks into investment advice and portfolio management, that entered into force in 2023 and have been updated in 2024. Reflecting the Federal Council's December 2022 anti-greenwashing [position](#) and complementing AMAS's [self-regulation](#) on transparency and disclosure for sustainability-related collective assets, the SBA Guidelines and AMAS self-regulation implement the same policy objectives that also underpin the EU's SFDR and linked MiFID II Delegated Acts.

Under the SBA Guidelines, banks must inform clients about ESG investment solutions, assess and document their ESG preferences, and ensure recommended investments align with these preferences through adequate reporting. Staff must be trained accordingly, and compliance verified through internal and external audits. The framework was deliberately designed in a principles-based manner with a view to preserving a degree of flexibility when elucidating sustainability preferences and matching them with suitable products. As such, it allows banks to tailor their implementation – such as questionnaires, customer profiling (e.g., ESG-neutral, light-green, dark-green green or based on sustainability motives like values, impact and risk-return-optimisation), and internal processes – to their business models and customer bases.

Preliminary research shows that under this approach, clients more frequently express sustainability preferences (47% vs. 5-20% under MiFID II), suggesting that it better facilitates the expression of sustainability preferences and a closer alignment with the actual sustainability preferences of clients.⁸

III. Retain a sufficiently flexible, interoperable categorisation system

We share the Commission's assessment that the introduction of a categorisation system for products making sustainability-related claims is the appropriate solution to meet the market demand for a categorisation scheme to communicate the sustainability performance of relevant financial products in a simple and intuitive way to investors⁹. Accordingly, we **support the new product categorisation system, as it builds on the intent of the product** that in turn is to be reflected in the underlying

⁸ Mattmann, B., Stüttgen, M. & Berchtold, N. (2025). *Wie erheben Banken Nachhaltigkeitspräferenzen von Privatkunden in der Schweiz* [How do banks collect sustainability preferences from individual clients in Switzerland?]. Lucerne University of Applied Sciences and Arts. Available [here](#).

⁹ SFDR review proposal – Recital 6.

investment objective and strategy and measured and substantiated by way of appropriate sustainability-related indicator(s).

Building on this, we subscribe to the Commission's finding that a granular specification of a positive contribution to a sustainability objective or transition would restrict the investment universe for SFDR-compliant financial products and thereby undermine the innovation potential of such products¹⁰. To allow for a variety of investment strategies, tools and asset classes and accommodate the current market breadth of financial products with sustainability characteristics, **it is imperative that co-legislators retain the flexibility foreseen in the Commission's legislative proposal regarding qualifying investment approaches**. Considering that other jurisdictions, such as Switzerland, have similar frameworks in place¹¹, **this flexibility is key to ensure the international interoperability of these regimes**, thereby maximising international capital flows directed at financing the transition and addressing sustainability-related challenges in a globally aligned fashion.

Building on this overarching support, the forthcoming categorisation system could stand to benefit from the following targeted recommendations:

- [Retain the integration of the components of the 'sustainable investment' definition in the categories' criteria](#)

Given the ambiguities and nationally diverging interpretations that led to legal uncertainty and fragmentation across the Single Market, we welcome the **Commission's incorporation of the 'sustainable investment' (SI) definition under Article 2(17) of the original SFDR framework in the criteria of the new categories**.¹² This should in part provide the flexibility to enable each individual financial product to qualify individually for the relevant, new SFDR category, in accordance with the binding elements of the investment strategy of the individual financial product rather than a one-size approach at entity-level and across financial products, as previously required by some National Competent Authorities (NCAs).

We would like to highlight, however, that the removal of Article 2(17) raises open questions regarding the interoperability with other regulations that continue to reference it and were not amended as part of the SFDR review proposal such as the EU Taxonomy Regulation or the Commission's recent legislative proposal to amend the Directive on Institutions for Occupational Retirement Provision (IORP) II.¹³ This highlights the need to also adjust this legislation and update or remove references to the Article 2(17) definition.

- [Ensure a workable and coherent approach to exclusions](#)

Building on the welcome, overall integration of the sustainable investment definition within the categories' binding elements, we support the general approach of a "*set of exclusions covering practices and sectors which are commonly agreed to be most harmful*"¹⁴, which overall should ensure clear and comparable minimum requirements.

In this context, we support in particular the proposed safe harbour clause for products replicating or managed in reference to an EU Paris-aligned benchmark (PAB) under the Transition and Sustainable categories, or an EU climate transition benchmark (CTB) under the Transition category, under which these products are presumed to fulfill all criteria of the relevant categories¹⁵. Such CTB/PAB tracker

¹⁰ *Ibid.* – Recital 14.

¹¹ Swiss Federal Council [position](#) on greenwashing supplemented by the industry's [self-regulation](#) framework on transparency and disclosure for sustainability-related collective assets, managed by the Asset Management Association Switzerland (AMAS).

¹² SFDR review proposal – Recital 15 & 30.

¹³ [Regulation](#) (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 [Taxonomy Regulation] – Articles 5-7; [Proposal](#) for a Directive of the European Parliament and of the Council amending Directives (EU) 2016/2341 and 2016/97 as regards the strengthening of the framework for occupational retirement provision [IORP] – amended Art. 19.

¹⁴ SFDR review proposal – Recital 15.

¹⁵ *Ibid.* – SFDR amended Art. 7 & 9(1) third sub-paragraphs; s. also Commission Delegated [Regulation](#) (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks [CTB] and EU Paris-aligned Benchmarks [PAB].

products make up a substantial and well-functioning part of the current market, meaning any deviation from existing exclusions would entail significant costs and require fundamental changes to established practices by index providers and investment managers.

Against this backdrop, however, the proposed introduction of exclusions for new fossil fuel projects under the Sustainable and Transition categories¹⁶ raises concerns. These exclusions would diverge from the minimum standards applicable to EU Climate Benchmarks (CTB/PAB), which are replicated in ESMA's ESG fund naming guidelines and, as such, underpin current market and supervisory practices.

While the afore-mentioned safe harbour clause rightly presumes CTB- and PAB-referencing or replicating products to meet all criteria of the relevant categories, introducing exclusions for new fossil fuel projects would therefore introduce a conceptual divergence within the proposal itself, that would in turn unfairly subject some products to a more stringent approach than others.

Moreover, any future operationalisation of the proposed exclusions for new fossil fuel projects gives rise to significant concerns given the very limited data availability on companies engaging in new projects and the room for divergent interpretations that could lead to gold-plating practices at national level and therefore legal uncertainty and fragmentation.

Finally, the scope of the proposed project-based exclusions includes hard coal and lignite, oil fuels or gaseous fuels, but does not differentiate between them (asides from introducing an additional layer of requiring a phase-out plan for coal-based power generation). This foreseen blanket approach fails to reflect the substantial differences between fuel types, particularly the role of gaseous fuels which emit significantly fewer emissions compared to coal and are widely regarded as a transitional bridge supporting the scale-up of renewable energy.

To address the outlined concerns and ensure that no undue burden is placed on financial market participants, we urge co-legislators to **converge on an internally coherent, practically workable and simple framework on minimum exclusions by removing the proposed exclusions for new fossil fuel projects.**

Moreover, we note that the ESG Basics and Transition categories foresee an exclusion for investments in companies generating 1% of their revenue from coal¹⁷, again deviating from the CTB/PAB exclusions and thereby the ESMA ESG fund naming guidelines. Under the ESG Basics category, the coal-based exclusion runs counter to the general intent that underpins the category and risks rendering the criteria overly prescriptive and constraining, in turn threatening to meet investor demand. Similarly, the proposed exclusion would risk excluding companies that have some coal revenue but, at the same time, generate very significant renewables revenue and set phase-out and transition plans, drawing into doubt its compatibility with the Transition category. To mitigate these concerns, we invite co-legislators to **reconsider the breadth and calibration of the exclusions foreseen for the ESG Basics and Transition categories, with a view to ensuring coherence with the wider framework and the policy objectives underlying said categories.**

➤ **Recognise the public sector's contribution to sustainability within the categorisation system**

With a view to the qualifying investments that would count towards the proposed 70% threshold, we have taken note of the Commission's proposed exclusion of general-purpose sovereign, sub-sovereign and supranational debt issuances under the Sustainable and Transition categories¹⁸. However, this stands in stark contrast to the potential beneficial contribution of public sector bodies to environmental and social objectives, as general-purpose public sector debt issuances often play a critical role in funding projects that address climate change, social infrastructure, and other sustainability priorities. Categorically excluding these issuances from qualifying for the Sustainable and Transition categories would undermine the Regulation's wider objectives of steering capital towards sustainable economic activities, impede the development of international standards for determining the sustainability of

¹⁶ *Ibid.* – SFDR amended Art. 7 & 9(1) first sub-paragraphs, points (c).

¹⁷ *Ibid.* – SFDR amended Art. 7 & 8(1) first sub-paragraphs, point (b).

¹⁸ *Ibid.* – Recital 22 & SFDR amended Art. 7(1) & 9(1) fifth subparagraphs.

issuances by public sector entities and unnecessarily constrain the ability of financial market participants in offering diversified, resilient, lower risk financial products aligned with the EU's sustainability objectives. To avoid this, we **call on co-legislators to amend Articles 7 and 9 so that accordingly categorized financial products can indeed include investments in (general-purpose) issuances by public sector bodies, based on the application of a credible assessment methodology and corresponding transparency.** Building on this, we would like to draw co-legislators' attention to existing methodologies that companies may rely on for this, for instance the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) framework as well as the Net-Zero Investment Framework (NZIF)¹⁹.

Amendment suggestion

Article 7(1) & 9(1) fifth subparagraphs

The financial products referred to in the first subparagraph, point (a), **may** include investments in issuances by public sector bodies **on the basis of the application of a credible assessment methodology, provided that a proper justification is included in the disclosures required pursuant to paragraph 3. No further justification is required for use of proceeds instruments issued by public sector bodies:**

(a) in accordance with Article 3 of Regulation (EU) 2023/2631; (...)

➤ Recognise a sustainability-related engagement strategy as a qualifying investment approach

We further note that under the transition category's qualifying investment approaches, investments accompanied with a credible sustainability-related engagement strategy would only qualify in combination with other qualifying investment approaches²⁰. In our view, this limitation brings no discernible benefit while unnecessarily constraining the capacity of financial market participants to create innovative financial products that contribute meaningfully to the transition to a sustainable economy. In this sense, we **recommend that investments with a sustainability-related engagement strategy should qualify on a stand-alone basis to contribute to meeting the proposed 70% threshold.**

Amendment suggestion

Article 7(2) first subparagraph point (e)

(e) investments accompanied with a credible sustainability-related engagement strategy, targeting specific changes with defined milestones and measured with reference to those targets and milestones, and integrating escalation actions in case the expected changes do not happen, **alone or** in combination with any of those referred to in points (a) to (d) or (h);

➤ Clarify the scope of voluntary disclosures for non-categorised products

We welcome the Commission's recognition of the view that products with no sustainability-related claims should not be subject to minimum disclosure requirements beyond an indication if or how they embed/integrate sustainability risks.

We support a requirement to specify the extent to which non-categorised products can refer to information on sustainability aspects of an ancillary nature within relevant disclosures, as this, paired with the broader product naming rules, should support the prevention of greenwashing. We thus welcome that non-categorised products will be allowed to include certain, limited information on the

¹⁹ *Transition Pathway Initiative Limited's (TPIIL) Assessing Sovereign Climate-related Opportunities and Risks (ASCOR); The Institutional Investors Group on Climate Change's (IIGCC) Net-Zero Investment Framework (NZIF 2.0) incl. provisions on sovereign bonds.*

²⁰ *SFDR review proposal –SFDR amended Art. 7(2) first subparagraph, point (e).*

integration of sustainability factors²¹, as we are of the view that it should be possible to mention such sustainability-related considerations, provided that the documentation clearly states that the product is not a categorised product.

However, we are concerned that the current phrasing of Article 6a may be overly prescriptive: for instance, it should be **clarified that disclosures about stewardship and engagement activities are outside the scope of the Article 6a's restriction on making reference to sustainability features in the prospectus, periodic report and marketing materials**. References to these strategies should always be possible as they may be set at entity rather than product-level and focus on long-term value creation and go beyond sustainability considerations, in particular with respect to governance topics that may not necessarily stem from an ESG perspective.

Additionally, it remains unclear how the foreseen 10% threshold of volume of the presentation of the financial product's investment strategy²² would be defined, which **overall may be best addressed through a less prescriptive and more principles-based approach that builds on the judgement of financial market participants**.

➤ **Strengthen the recognition of key private market initiatives**

In addition to retaining the flexibility afforded to financial market participants in operationalising the binding elements of the new categories, the categorisation system would benefit from **a more explicit recognition on the use of globally accepted and market-recognised standards for the identification of sustainability-aligned assets such as the World Federation of Exchange's (WFE) Green Equity Principles as well as the International Capital Market Association's (ICMA) Green, Social and Sustainability (GSS) and Climate Transition bond labels²³**. This is of particular relevance with respect to the latter considering the still limited supply of EU Green Bonds and the social dimension of the SFDR framework, rendering it important to ensure that existing bonds issued in accordance with these standards remain investable in for the foreseeable future.

Moreover, we note that the proposal foresees that bonds issued under the EU Green Bond Standard (EuGBs) are exempt from certain exclusions²⁴, which in our view should also be extended to bonds aligned with established and credible international standards such as the ICMA Principles and where the ultimate use of proceeds is known. At a minimum, this should be the case for all EU Taxonomy-aligned bonds and/or projects including those not financed by EuGBs, which should facilitate the uptake of the EU Taxonomy more broadly.

➤ **Clarify the logic underlying the aggregation mechanism of categorised products**

We acknowledge and welcome the intent behind Article 9a's mechanism specifying the categorisation eligibility of financial products investing in financial products that are themselves categorised as sustainability-related financial products. We explicitly acknowledge that the eligibility can be based on the financial products being categorized in accordance with Articles 7-9 or through an assessment of the investments (paragraph 1 of Art. 9a). However, the current drafting leaves room for interpretation as to the exact calculation methodologies to meet the required 70% threshold. Accordingly, we call on **co-legislators to clarify that investments in underlying categorised products should be counted in their entirety towards meeting the required 70% threshold of the categories** considering the data-related and operational practicability limitations of alternative approaches.

Moreover, we have taken note of the references to portfolio management services under paragraph 3 of Article 9a, that stand in contrast to the removal of such services from the scope of the revised SFDR.

²¹ *Ibid.* – SFDR amended Art. 6a.

²² *Ibid.* – SFDR amended Art. 6a(1) second sub-paragraph.

²³ World Federation of Exchange's (WFE) Green Equity [Principles](#); International Capital Market Association's (ICMA) Green, Social and Sustainability (GSS) and Climate Transition bond [labels](#).

²⁴ SFDR review proposal –SFDR amended Art. 7(1) first sub-paragraph, point (b), Art.8(1) first sub-paragraph, point (b) & Art. 9(1) sixth sub-paragraph.

To provide legal certainty and a coherent framework, we call on co-legislators to ensure alignment within the legal text.

- **Retain the new impact investing dimension with sufficient adaptability**

The Commission's proposal formally recognises and formalises the practice of impact investing within the SFDR framework by adding corresponding disclosure obligations and specifically reserved naming rights²⁵. In our view, this constitutes a positive evolution of the framework that we warmly welcome as it rightfully acknowledges the growing importance of impact investing and allows impact strategies to be distinguished in a workable and proportionate manner. Accordingly, **the Commission's proposal in this regard should be retained, while ensuring that the eventual compromise on the file reflects that impact-related disclosures remain adaptable to the respective investment strategy or goal of the product.**

IV. Maintain the investor-centric simplification of disclosure requirements

The Commission's review proposal focuses the SFDR product-level disclosure obligations in accordance with the proposed categories while limiting entity-level disclosures to information on sustainability risk policies²⁶, converging with our view that the SFDR is and should remain, at its core, a product-level regulation.

Retaining the proposed simplification of pre-contractual and periodic disclosures – focused on product objectives, strategies, exclusions, data sources, and indicators aligned with the 70% threshold requirement – is crucial to providing (retail) investors with meaningful, comprehensible information that supports informed investment decisions, while correcting the current imbalance between the significant reporting burden placed on financial market participants and the limited usefulness of existing SFDR disclosures.

Building on this, we support the removal of entity-level principal adverse impacts (PAI) reporting obligations as experience shows that investor clients tend to be interested solely in the sustainability characteristics of the products in which they invest. Entity-level PAI reporting depends on the type of firm, the strategies it manages and fluctuates with assets under management, rendering it largely meaningless when aggregated across many funds at an entity level of an asset manager. This in turn starkly contrasts with resource-intensive preparation efforts and significant compliance costs associated with these disclosures.

In summary, we **encourage co-legislators to endorse this clearer, more proportionate, and product-focused approach to SFDR disclosure obligations**, which should reduce unnecessary burden and improve comparability, contributing more broadly to the effectiveness and coherence of the EU sustainable finance framework.

V. Include a degree of proportionality in the new regime on the use of data and estimates

Rightfully acknowledging the data gaps in relation to sustainability data, in part a consequence of the simplification measures introduced under the 1st Omnibus Simplification Package on Sustainability, the Commission's proposal introduces a formalised regime about the use of data and estimates²⁷.

The proposal foresees obligations for financial market participants to provide clients, upon request, with information on sustainability-related financial products beyond the standard SFDR disclosures, details on data providers and their methodologies, as well as the methodologies, assumptions, and precautionary principles underlying any internal estimations used. As drafted, the broad scope of these information requests risks overburdening financial market participants while overwhelming interested investors. Moreover, the requirement to provide clients with the methodology used by data providers

²⁵ *Ibid.* – Recital 20 & SFDR *amended* Art. 2 point 26, Art.7 & 9(4).

²⁶ *Ibid.* – Recital 10.

²⁷ *Ibid.* – Recital 24 & SFDR *amended* Art. 12(a).

shifts the burden of disclosure from the data providers to the financial market participants that may not be able to request or share such proprietary third-party information.

Accordingly, we **invite co-legislators to ensure the proportionality of the new obligations**, by way of limiting the required disclosures to the contact details of third-party data providers as well as a summary with respect to the type of methodologies to keep it manageable for financial market participants and understandable for (retail) investors.

Amendment suggestion
Article 12a point (b)
(b) shall provide clients upon request with: (...) (ii) where data or estimates for reporting purposes in accordance with Articles 7(3), 7(a), 8(3), 9(3) and 9(4) are sourced from data providers, the name and contact details and, where applicable and available, the methodology used by data providers ; (iii) an overview of the methodology, the main assumptions and precautionary principles regarding the treatment of missing datapoints and underlying estimations where those are not based on data provided by external data providers

VI. Differentiate between retail and professional investors to account for different needs

We further note that that the Commission's review proposal does not differentiate between professional and retail investors. However, professional investors are substantially different from retail investors in their level of awareness as well as understanding of information on (sustainability-related) financial products. As such, their information needs are different to those of retail investors and would be best addressed in a more proportionate manner to account for lower information asymmetries between product manufacturers and professional investors. We therefore call on co-legislators to **consider introducing a mechanism that allows financial products only offered to professional investors greater flexibility in meeting the revised SFDR obligations, for instance by way of an opt-out clause as part of the SFDR's exemption regime under Article 17.**

Amendment suggestion
Article 17 new paragraph 2
2. Financial market participants may choose not to apply Articles 6a, 7, 8 and 9 to financial products referred to Article 2, point (12)(b), which are made available exclusively to professional investors as defined in Article 4(1), point (10), of Directive 2014/65/EU.