Frankfurt,
10 February 2026

BVI position on the EU proposal for SFDR 2

BVI[1] welcomes the EU reform of the SFDR framework and applauds the EU Commission for bringing forward a proposal that is considerate of both, safeguarding ambition of ESG-related investment strategies and the need for ensuring continuity and building upon approaches and standards already implemented in the market.

In order to fully embrace the benefits of the reform and unleash the potential of sustainable investing, we recommend the following priorities for the further refinement of SFDR:

1. **The sequencing of the reform should be duly planned, allowing sufficient time for practical adaptations and ensuring implementation in one go:** The SFDR reform will involve a major overhaul of the existing products with sustainability features as well as corresponding disclosures. Its effect on the markets will largely depend on corresponding changes to the sustainability advice process under MiFID and IDD that need to be advanced in parallel. Proper implementation cannot start before full clarity on the future requirements, including Level 2 measures and MiFID and IDD adaptations, will be obtained. On the other hand, all elements of the reform should become applicable in one go. The **following prerogatives** should be **essential for effectively managing the transition to SFDR 2**:

    - The **preparatory work at Level 2 should start as soon as possible**, at best well in advance of the final agreement in the trilogue. Based on the negotiation mandates of EP and Council, the Commission should be able to assess how the Level 2 empowerments foreseen in Art. 19b will evolve and to proceed with the Level 2 conceptual work accordingly without pre-empting the results of the final Level 1 agreement.
    - The work on **modifying criteria for sustainability preferences under MiFID and IDD should commence simultaneously** and be **fully coordinated with the Level 2 measures under SFDR**, especially as regards comprehensibility of disclosures and other communications for retail investors.
    - Due to the extent of the reform, **fund industry will need at least 12 months for adapting investment strategies, sourcing new data points, modifying fund documents and obtaining the necessary authorisations from the NCAs**. In the interest of efficient transition to SFDR 2, NCAs should be encouraged to adopt a fast-track procedure for authorising funds that have been following the ESMA Guidelines so far. Sufficient implementation period also has to be granted for distributors to adapt their internal processes and IT solutions to new concepts for sustainability preferences, source the necessary data from product providers and train investment advisors on the new requirements.
    - In order to ensure that this process remains manageable and transparent, the **empowerments for delegated acts in Art. 19b should be subject to a clear deadline fitting into the general timeline for application and warranting 12 months for practical implementation**. Should

[1] BVI represents the interests of the German fund industry at national and international level. The association promotes sensible regulation of the fund business as well as fair competition vis-à-vis policy makers and regulators. Asset managers act as trustees in the sole interest of the investor and are subject to strict regulation. Funds match funding investors and the capital demands of companies and governments, thus fulfilling an important macro-economic function. BVI's 114 members manage assets of EUR 4.8 trillion for retail investors, insurance companies, pension and retirement schemes, banks, churches and foundations. With a share of 26%, Germany represents the largest fund market in the EU. BVI's ID number in the EU Transparency Register is 96816064173-47. For more information, please visit www.bvi.de/en.

BVI
Bundesverband Investment und Asset Management e.V.

Contact
Phone +49 69 15 40 90 0
www.bvi.de

BVI Berlin
Unter den Linden 42
10117 Berlin

BVI Brussels
Rue Belliard 15–17
1040 Bruxelles

BVI Frankfurt
Bockenheimer Anlage 15
60322 Frankfurt am Main

Executive Board
Thomas Richter CEO
Rudolf Siebel MD

SFDR 2 become applicable 18 months after entry into force, as foreseen in the Commission's proposal, then the deadline for adoption of delegated acts under Art. 19b should be set at six months after entry into force accordingly.

- The new requirements on periodic reporting for products categorised under Articles 7 to 9 should apply for the first full financial year after the initial application of SFDR 2 to ensure that meaningful information on already implemented product features is being provided to investors.
- SFDR 2 should be the horizontal framework governing naming and marketing of products in sustainability terms for all financial products in scope. In the interest of a level playing field, the **ESMA Guidelines on the use of sustainability-related terms in fund names should be abolished latest at the time of application of the new SFDR regime**. ESMA and the EU Commission should communicate this prospect to the market in a transparent and timely manner to facilitate preparatory work for implementation.

2. **Immediate relief should be provided for discontinued requirements:** We welcome the proposed deletion of entity-level reporting requirements under Art. 4 and 5, especially in relation to the annual PAI reporting that entails significant costs and administrative efforts for the industry without adding any value for investors. These measures, in addition to disapplication of SFDR for portfolio management and investment advice, will entail major simplification for the future SFDR regime and burden reduction for financial market participants.

   In order to provide for effective relief, the **deleted requirements should take effect immediately after the entry into force of SFDR 2** regardless of the 18 months implementation period applicable otherwise. In the meantime, the EU Commission should exploit the possibility of **deprioritising supervisory actions with regard to those discontinued disclosures in the interest of swift burden reduction**. Presuming an agreement from co-legislators, such deprioritisation should pertain in particular to the next round of annual PAI statements due by 30 June 2026. We would welcome a timely communication by the Commission in this regard.

3. **The revised SFDR should focus on standardised investment solutions for retail investors:** Minimum safeguards and uniform disclosure standards for products marketed as sustainable are primarily aimed at protecting the retail public and facilitating informed investment decisions. Consequently, the following policy choices need to be revisited:

   - **Products offered exclusively to professional investors should be allowed to opt out from the standardised product classification:** Professional investors such as insurance companies, pension funds, large corporations etc. generally do not buy standardised products, but request investment solutions tailored to their specific investment needs, individual preferences and/or regulatory requirements. This pertains also to sustainability-related criteria where professional investors often have very specific ideas of what they deem relevant. For instance, exclusion of tobacco is often being debated by professional investors interested e.g. in decarbonising their portfolios. Moreover, professional investors require much more detailed information tailored to their particular needs. Standardised ESG disclosures are of no value to this group of investors, but only create unnecessary burden and nuisance for both product providers who need to produce such disclosures and for investors who eventually have to pay for them. Therefore, **products offered solely to professional investors should be given flexibility to reflect their investors' preferences in design and disclosures and able to opt out from the standardised product classification under SFDR.** This would also help to focus the SFDR product classification and the underlying criteria on the needs and expectations of retail investors.

- **Standardised portfolio management with sustainability features should be available to retail investors on equal terms with SFDR categorised products:** While supporting the general removal from scope of portfolio management as a bespoke service for individual investors, we are concerned about the implications for standardised portfolio management solutions that are being offered in the market as alternatives to investment funds (and are indeed equivalent to funds, albeit missing the fund wrapper). Portfolio management services for retail investors should follow the same standards in terms of sustainability claims. This is essential for both effective investor protection and a level playing field at the point of sale, and could be accomplished as follows:

    - Our preferred solution would be to **keep portfolio management as a service out of SFDR** and to provide for **equivalent provisions when adapting the MiFID Level 2 rules**. Such adaptations should seek to ensure that portfolio management for retail investors with sustainability preferences is offered in line with the product-related criteria under Art. 7 to 9 and Art. 9a(1) SFDR. Standardised services adhering to the SFDR rules should be able to market their sustainability credentials to investors.
    - Another possibility to deal with this problem would be to **allow a voluntary opt-in into the SFDR regime for standardised portfolio management offered to retail clients** with sustainability preferences. This option would be particularly relevant in case the new concept of sustainability preferences under MiFID/IDD should be closely tied to the SFDR product categories.

  Regardless of the specific solution chosen, the treatment of portfolio management needs to be decided upon with a clear view on the interconnections between product-focused SFDR and the service-related MiFID/IDD provisions, with the relevant policy choices embedded in the SFDR review.

4. **Criteria for the transition category should facilitate investing in transition on a global basis, including in emerging markets:** We fully support the introduction of a dedicated product category with focus on investing in transition. It is clear that in order to achieve meaningful reduction of GHG emissions and to limit the global warming in line with the Paris Agreement, we need to transition the entire economy towards more sustainable business models and that such transitioning efforts must not stop at the EU borders. According to EDGAR, in 2024 China, India, Russia and Indonesia increased their emissions compared to 2023, with Indonesia having the largest increase in relative terms and India the largest absolute increase. At the same time, businesses in Asia are increasingly committed to net-zero transition. Between Jan 2024 and June 2025 Asia saw the highest proportional growth in companies setting science-based targets – up 134%, with the fastest growth in China (+228%).[2]

   The proposed criteria for "transition" products do not fully account for this reality. The additional exclusions for companies that develop new projects relating to the use of hard coal or lignite in Art. 7(1)(c)(ii) reflect the market development in the EU, but do not cater for the situation in emerging markets where economies are still dependent on coal-based power generation and governments have made little or no commitments on phasing out coal. In circumstances where coal-based power generation is still considered indispensable for energy security, it is not realistic to require from companies to adopt phasing-out plans. The exclusion in terms of new gas projects has the potential of removing up to 95 percent of the energy sector from the investment universe, including in the EU

[2] SBTi Trend Tracker 2025

and other developed economies.[3] Nearly all listed European energy companies explore new gas capacities as a bridging technology for transition. Under the current proposal, companies like Neste (a leading provider of biofuels and climate solutions) or National Grid (UK's high voltage transmission network and critical to facilitating the energy transition) alongside of Germany's transition champions EnBW Energy and RWE would become ineligible for investments by transition products.

The proposed criteria for transition-focused products should thus be adapted with a **focus on selecting investments with credible transition credentials**. **Exclusion criteria should be applied with caution and preferably limited to the standards for climate-transition benchmarks** (Art. 12(1)(a) to (c) DR 2020/1818).

5. **Investments in sovereign bonds should be generally eligible for sustainability assessment:** With international agreements, national climate targets and supportive regulatory measures, governments are the key players in sustainable transition. Most corporate contributions to sustainability build upon the frameworks set by governments. Given this pivotal role of sovereign issuers, the acknowledgement of sovereign exposures under the current proposal is too limited. General-purpose government bonds shall be confined to the "ESG basics" category, while only narrowly defined use-of-proceeds instruments may qualify for the "transition" or "sustainable" categories. However, even in the EU, green bonds issued by sovereigns account only for 4.2 percent of the total bond issuances available to the markets.[4] Exclusion of general-purpose sovereign bonds will thus pose significant problems in terms of diversification, particularly for globally invested, defensive multi-asset products, leading potentially to a limited investment choice for investors with low risk tolerance and interest in sustainability.

   This approach is also inconsistent with other EU initiatives. The Commission's Notice on the European Green Bond Regulation recognises National Climate Plans as the public-sector equivalent of corporate transition plans. Also, while there is no single universally agreed methodology for assessing transition or sustainability of sovereigns, widely used industry frameworks such as ASCOR, the Net Zero Investment Framework for Sovereigns or the Climate Chance Performance Index (CCPI) can provide for an adequate level of quality and consistency. The absence of a single metric should thus not preclude the recognition of general-purpose sovereign bonds as potentially contributing to transition or sustainability. This would support the asset-neutral approach of the SFDR product categorisation, given the comparable flexibility provided for corporate instruments.

   The limitations for the eligibility of general-purpose sovereign instruments under Articles 7 and 9 should thus be deleted. In the longer term, the European Commission could consider developing common guidelines or a shared approach to identify sovereign bonds that meaningfully contribute to transition or sustainability objectives. This would enhance comparability and support consistent interpretation across the market. We would be pleased to support such an initiative by sharing practical insights and contributing to a workable and proportionate methodology.

[3] Source: JPM Europe Equity Research based on Urgewald data, January 2026.
[4] Figures for 2024, source: EEA statistics.

Detailed comments and suggestions for adaptations

The following comments are provided in the chronological order of the Commission's proposal. They include suggestions for the treatment of priority topics outlined above.

Topic and provision	Suggestion	Justification
Exclusions for transition products: Art. 7(1)(b) and (c) SFDR	Exclusion criteria should be limited to the standards for climate-transition benchmarks (Art. 12(1)(a) to (c) DR 2020/1818). The reference to Art. 12(1)(d) DR 2020/1818 and the new exclusions in case of new projects for the use of fossil fuels proposed in Art. 7(1)(c) should be deleted	Additional exclusions beyond the CTB-standards inhibit investments in transitioning companies (cf. point 3 above). In order to achieve meaningful reduction of GHG emissions and to progress in combating the global warming in line with the Paris Agreement, transition products must be effectively enabled to invest in transition leaders on a global basis, including in emerging markets and in the energy sector. The focus of the transition category should lie on selecting investments with credible transition credentials. Exclusion criteria should be applied with caution and limited to the standards for climate-transition benchmarks by direct reference to Art. 12(1)(a) to (c) DR 2020/1818. At the very least, the exception for use-of-proceeds instruments foreseen in Art. 7(1)(b) should be extended to the exclusion criteria in Art. 7(1)(c) in order to generally legitimate investments in green bonds and other project-focused debt instruments. The current wording in this regard is unnecessarily restrictive and not in line with Art. 9(1) where the exception for use-of-proceeds investments applies on a general basis. Alignment of wording and structure with Art. 9(1) would be helpful for the sake of clarity.
Exclusion criteria in general: Art. 7(1), 8(1) and 9(1)	More clarity is needed in terms of scope and specific conditions for minimum exclusions.	It should be explicitly clarified that the minimum exclusion criteria foreseen under Art. 7(1), 8(1) and 9(1) are mandatory only for investments in companies. While this is already indicated by the wording of exclusions ("exclude investments in companies that…"), recital 22 stating that the exclusions do not apply to sovereigns, sub-sovereigns and supra-nationals leaves open the application to other

		assets. Under the ESMA Guidelines, we have experienced that some NCAs request adherence with the CTB/PAB exclusions even for real estate investments. In order to avoid such misapprehensions, a more general clarification of exclusions applying only to companies would be welcomed. Moreover, any vague legal terms that may be used in the final exclusion criteria (e.g. companies "involved in any activities" or "in violation of") should be further specified at EU level, preferably by way of non-binding Q&As or other practical guidance. This would be helpful for ensuring harmonised application of exclusions by asset managers and ESG data providers and hence, facilitate common minimum standards for investors.
Sovereign bonds investments: Art. 7(1) last subparagraph, Art. 9(1) 2nd last subparagraph SFDR	The limitations for the eligibility of general-purpose sovereign instruments under Articles 7 and 9 should be deleted**.**	With international agreements, national climate targets and supportive regulatory measures, governments are the key players in sustainable transition. Most corporate contributions to sustainability build upon the frameworks set by governments. Also, while there is no single universally agreed methodology for assessing transition or sustainability of sovereigns, widely used industry frameworks such as ASCOR, the Net Zero Investment Framework for Sovereigns or the Climate Chance Performance Index (CCPI) can provide for an adequate level of quality and consistency. The absence of a single metric should thus not preclude the recognition of general-purpose sovereign bonds as potentially contributing to transition or sustainability. Exclusion of general-purpose sovereign bonds would also pose significant problems in terms of diversification, particularly for globally invested, defensive multi-asset products, leading potentially to a limited investment choice for investors

		with low risk tolerance and interest in sustainability.
Disclosures on "relative share of investments": Art. 7-9(3)(c)(ii) SFDR	The requirement to specify the relative share of eligible investments in the pre-contractual disclosures should be deleted.	The pre-contractual disclosures should be confined to those features of sustainable investment products that are essential for the understanding by (retail) investors. While we see some merit in disclosing on the applicable choice of investments (at least in cases where not all eligible investments are relevant for a product), specification of their relative share (share within the 70 percent commitment) would not entail any added value. At least in actively managed funds, asset managers wish to retain full flexibility to seek for best investment opportunities and to over- or underweight investments depending on market developments in line with their asset selection process. In such circumstances, no reliable specifications on the relative share of investments could be made in the pre-contractual disclosures. Illustrative specifications, on the other hand, would be meaningless for investors who in general are anyway not interested in this level of detail. If at all, relative share of applicable investments could be disclosed ex-post as part of the periodic reports under Article 11.
Disclosures on phasing-in: Art. 7-9(3)(c)(iii) SFDR	In order to provide due transparency to investors, the disclosure requirement in Art. 7-9(3)(c)(iii) respectively should be extended to cover also "other events" temporarily preventing the product to reach the applicable threshold or apply the relevant exclusions.	We appreciate the reflection in the proposal that compliance with the relevant threshold may be possible only after a phase-in period, especially for newly launched products. However, also during the products' lifetime, there may be occurrences that need to be managed in relation to the investment threshold or adherence to the exclusion criteria and may temporarily prevent products from complying with either of them, in particular: - Transitional events such as increased unit subscriptions that cannot be allocated to eligible investments in a timely manner while acting in the best interest of investors,

		- Passive breaches of the exclusion limits in cases where investee companies become ineligible (e.g. by flagged violation of UNGC/OECD standards) and immediate divestment is not a viable option, e.g. in private markets.
ESG outperformance: Art. 8(2)(a) and (b) SFDR	The wording for eligible investment approaches in Art. 8(2)(a) and (b) should be complemented to allow assessment at either investment **or portfolio level**.	ESG outperformance of the average investment universe or reference benchmark must not be measured exclusively at the level of individual investments, but can also be assessed at the portfolio level. In fact, it is common practice for funds with ESG characteristics disclosing under Art. 8 SFDR to commit to a portfolio-level outperformance in ESG terms in reference to a benchmark. Portfolio-level assessment is market standard for PAB and CTB, and shall be generally allowed for the "transition" category according to Art. 7(2)(g). It is also our understanding that it has not been the Commission's intention to interfere with established market practices for measuring ESG outperformance under Art. 8.
Rules for "combination" financial products: Art. 9a(1) SFDR	The concept of financial products "that claim that they combine financial products that are categorised as sustainability-related financial products" is in urgent need of clarification as regards status and naming.	We welcome the recognition of funds-of-funds and multi-asset-funds, among others, as potential sustainability-related products under Art. 9(1) SFDR. Such recognition is necessary for accommodating the SFDR product categories to risk-diversified investment approaches common in the retail market. Nonetheless, as it stands, the concept of Art. 9a(1) needs further clarifications: - The conditions under which Art. 9a(1) products shall be able to qualify as categorised products themselves as specified in recital 23 should be directly included in Art. 9a(1) as they are essential for the framing of regulatory requirements. - In case Art. 9a(1) products meet the thresholds and other requirements of Art. 7, 8 or 9, they

		should qualify as such and be able to use sustainability-related terms in their names. We understand that this is the Commission's intention, but the wording of Art. 13(3) 2nd subparagraph suggests otherwise. - There is a need to clarify the calculation of the 70-percent-threshold for Art. 9a(1) due to the particularities of such combination products (cf. our requests on Art. 19b below).
Information for non-categorised financial products: Art. 9a(2)(c) SFDR	Disclosures to investors should be limited to any exclusions potentially applicable to the share of the product without sustainability claims	The proposed information requirement under Art. 9a(2)(c) is confusing. Even though it pertains to the share of the product without any sustainability claims (share of the product referred to in point (b)), it requires disclosure of "objectives" and "strategy". However, products under Article 9a(2) count as non-categorised products in sustainability terms, meaning that they do not have any dedicated ESG objectives or strategy in general, and even less so in relation to the "remaining" share of the product for which no sustainability claims are made. In order to avoid misapprehensions by investors, disclosures under Art. 9a(2)(c) should focus on information about potentially applicable exclusions.
Disclosures on client's request: Art. 12(b)(i)	The proposed general entitlement of clients to request any information on products according to Art. 7-9 should be deleted.	The wording of Art. 12(b)(i) implies that clients should be entitled to request any kind of information on categorised financial products and that financial market participants would be obliged to provide such information. This empowerment goes too far, especially in context of the transparent use of data and estimates. It also disregards the principle of fair/equal treatment of investors enshrined in the UCITS and AIFMD frameworks. The general entitlement in Art. 12(b)(i) should thus be deleted and the right to request information confined to the

		specific disclosures on data and estimates foreseen in Art. 12(b)(ii) and (iii).
Marketing communications and claims: Art. 13(3)	The concept of sustainability-related claims should be clarified e.g. by way of a recital. Use of sustainability-related claims in marketing communications	The concept of sustainability-related claims that is used in Art. 13(2) and (3) for distinguishing categorised products from those disclosing under Art. 6a is a source of uncertainty for the industry. We would see merit in clarifying that sustainability-related claims do not pertain to, and hence do not restrict communications on, at least the following product features: - Integration of sustainability-related risks under Art. 6(1) which remains a separate concept pertaining to all financial products, - Stewardship and engagement activities contributing to long-term value creation beyond ESG considerations. The references to Art. 9a in Art. 13(3) 2nd subpara. should be limited to Art. 9a(2) only. It is our understanding that the specific allowance for including sustainability-related claims in marketing communications shall apply to products subject to Art. 9a(2), provided that such claims are consistent with the information to be disclosed in the pre-contractual documents. Products under Art. 9a(1) are assumed to qualify for Art. 7, 8 or 9 and hence, shall not be subject to any limitations in terms of sustainable naming or marketing. However, the current wording does not properly reflect this intention and is rather misleading.
NEW: Opt-out for professional investors and potential opt-in for portfolio management offered to retail clients: Art. 17 SFDR	Products offered solely to professional investors should be given the possibility to opt out from the standardised product classification under SFDR. (cf point 3 above).	Professional investors such as insurance companies, pension funds, large corporations etc. often have very specific requests with regard to investments, including in terms of sustainability criteria. E.g. some professional investors wish to implement sustainable investment strategies, but do not agree with excluding investments relating to tobacco. Moreover, such investors require much more detailed information that is tailored to their particular needs.

		Products offered exclusively to professional investors need flexibility to reflect such individual preferences in ESG design and disclosures Without an opt-out possibility, such tailored-made products would be formally barred from including sustainability-related claims e.g. in investor presentations and other marketing communications without any clear rationale. An opt-out solution would also help to focus the SFDR product classification and the underlying criteria on the needs and expectations of retail investors. Moreover, a solution is needed as regards standardised portfolio management with sustainability features to retail investors. In case the EU legislators would seek to provide such solution as part of the SFDR review, a voluntary opt-in possibility for such standardised offerings into the product classification system could be provided.
	Conditions for standardised portfolio management with sustainability features being offered to retail investors should be aligned with SFDR product categories (cf. point 3 above).	
Level-2-empowerments for Art. 9a: Art. 19b SFDR	Calculation of the 70-percent-threshold for funds-of-funds and multi-asset-funds should be further specified at Level 2.	We welcome the possibility provided for in Art. 9a(1) and (2) to account for multi-asset or fund-of-funds offerings as part of the product universe with sustainability features. However, it is so far unclear how a specific commitment to either a 70-percent-threshold (for products under Art. 9a(1)) or a lower threshold (for those under Art. 9a(2)) shall be calculated at the fund-of-fund or multi-asset-fund level. In line with the specifications foreseen for products categorised under Art. 7 to 9, the Commission should be thus additionally empowered to supplement Art. 9a(1) and (2) in order to specify the methodologies for calculating the relevant thresholds. In order to avoid disproportionate complexity for the practical application, we caution against applying any kind of look-through approach in such calculations.
Discontinuation of redundant reporting and	The abolishment of entity-level reporting requirements and disapplication of SFDR for portfolio management and investment	**Requirements that will not become part of the new regime should be disapplied immediately after the entry into force of SFDR 2.** This pertains to the proposed

deleted provisions: Art. 4	advice should become effective immediately after the entry into force of SFDR 2 (cf. point 2 above)	deletions of entity-level disclosures under Articles 4 and 5 and to the disapplication of SFDR for portfolio management and investment advice. These measures should take effect immediately and not be subject to the general 18 months implementation period. Meanwhile, in the interest of swift burden reduction, **supervisory measures pertaining to discontinued disclosures should be deprioritised.** This is relevant especially with regard to the next round of annual PAI statements due by 30 June 2026. Presuming an agreement from co-legislators, we would welcome a timely Commission's communication in this regard.
Application of periodic reporting requirements: Art. 4	Revised periodic reporting under Art. 11 for products categorised as sustainable should apply for the first full financial year after the initial application of SFDR 2	Periodic reports on the attainment of objectives and integration of sustainability factors for products categorised under Art. 7 to 9 can be prepared only for the financial year following the implementation of the new SFDR regime. Experience with implementation of SFDR 1.0 demonstrated painfully that reporting on product features for which no commitments existed during the reporting period results in meaningless disclosures and confusion on the part of investors.