

REVIEW OF SUSTAINABLE FINANCE DISCLOSURE REGULATION (SFDR)

Key points for consumers

Why it matters to consumers

Across Europe, consumers want to save and invest their money sustainably, taking climate action while saving for the future in line with their values. However, the current rules for sustainable investment are very weak, allowing so-called 'green' products to invest in harmful activities like coal mining or oil drilling. Consumers end up being misled about their investment, which may be doing more harm than good when it comes to tackling climate change.

BEUC [welcomes](#) the significant improvements introduced by the European Commission's proposal to review the SFDR. The changes go a long way to matching the expectations that consumers have for sustainable investments (see [BEUC's survey](#) on greenwashing here). However, more work is needed to protect consumers. The table assesses the proposals with the following symbols, illustrating:



what BEUC supports



what can be improved



what BEUC does not support

COMMISSION PROPOSAL

BEUC POSITION

Introducing a **category system** for sustainable investment products that set minimum basic requirements and establish safeguards for what these products can invest in.



BEUC supports a categorisation system for products that will allow consumers to more easily identify a product's characteristics while improving comparability.

Strong rules on **product naming and marketing** are introduced, limiting the promotion of sustainable claims in non-categorised products.



BEUC welcomes the protection for consumers in these rules. The provisions limiting non-categorised products' promotion of sustainability factors must be retained.

Supervision of all products must be strengthened to prevent greenwashing.

The **Sustainable category** caters to consumer demand for clean investments with strong exclusions.



BEUC supports the Sustainable Category. It should be improved by removing the vague criterion Art. 9(2(g)), which is open to financial market participants (FMP) interpretation, and making engagement obligatory for managers.

Paris Aligned Benchmark-tracking products should still apply the category's exclusions.

The **ESG Basics category** has limited exclusions and no sustainability-related objective.



The less ambitious ESG category will undermine the system. It should be removed as it serves no purpose for the end investor.

If it is retained, additional safeguards, such as excluding fossil fuel activities, must be introduced. Additionally, removing "ESG" from the name can stop consumers from being misled by exaggerated green claims. Further, the use of the category should be limited to contain the issues it causes.

COMMISSION PROPOSAL

BEUC POSITION

The **Transition category** provides for investors who want their investments to support society's move to sustainability. Exclusions on fossil fuel expansion prevent investments in companies that are not serious about the transition.



BEUC welcomes the addition of a dedicated Transition category.

A loophole must be fixed: The proposal would allow Climate Transition Benchmark-tracking products to invest in new fossil fuel projects.

To ensure that products' objectives are met and to align with established market practice, engagement strategies must be mandatory for these products.

Credible transition plans must be defined, and portfolio-level transition targets must be coupled with other criteria. The vague Art. 7(2(h)) criterion should be removed, as it is open to FMP interpretation.

Product-level disclosures are being streamlined to a maximum of two pages with fewer sustainability indicators.



BEUC supports more comprehensible disclosures. However, the remaining indicators should be the most relevant for consumers.

Product disclosures should be easily accessible to consumers without searching through prospectuses that are often hundreds of pages long.

Principal Adverse Impact (PAI) disclosures should account for all substantive accusations and risks posed by investee companies to sustainability.

The **definition** of a financial product is amended, removing portfolio management services. Financial advice is also removed from the scope.



BEUC recommends that managed portfolios remain classed as a financial product to avoid creating difficulties for determining sustainability preferences.

Entity-level disclosures are entirely removed from the SFDR, providing a significant cost and administrative reduction for financial market participants.



This weakens consumer protection as investors lose insight into the firm managing their investment. A streamlined entity-level disclosure should be retained.