

# SUSTAINABLE FINANCE DISCLOSURE REGULATION

## NEXT STEPS

## Why it matters to consumers

The review of the Sustainable Finance Disclosure Regulation (SFDR) presents an opportunity for consumers to invest in sustainability-related investment funds that match their expectations. To avoid greenwashing and deceiving consumers, funds marketed as green, sustainable, climate-neutral, clean transition etc. should be obliged to follow strict rules and avoid, for instance, investments in fossil fuels.

This paper summarises BEUC's recommendations for trilogue negotiations on the SFDR review.  
For more information, see our [Key Points for Consumers paper](#) and our [consumer survey](#) on greenwashing.

Check our  
survey



### TOPICS

### BEUC'S RECOMMENDATIONS

#### MARKETING COMMUNICATIONS AND NAMING RULES

BEUC welcomes the Parliament's provision that marketing and fund naming be consistent with product categories. BEUC regrets that a more comprehensive list of terms is not attached to each category, to avoid confusion for consumers and protect the integrity of categories. In the absence thereof, BEUC advises adding a mandate for ESMA to issue regulatory technical standards to ensure market compliance with the requirement for consistent fund names.

#### SUSTAINABLE CATEGORY

BEUC supports having a clearly defined Sustainable category. Further, BEUC welcomes the Parliament's integration of the stricter UN Guiding Principles on Business and Human Rights in place of the UN Global Compact principles which are only voluntary.

BEUC regrets that EU Paris-aligned benchmark-tracking (PAB) products are automatically considered compliant while matching only loser sustainability criteria.

#### TRANSITION CATEGORY

BEUC supports the total exclusion of new fossil fuel projects from Transition products as foreseen in the Commission proposal and rejects its watering down by Council and Parliament.

BEUC welcomes the proposed 'comply or explain' approach for disclosure of engagement strategies, but guidance on the content of strategies is needed. BEUC regrets that the PAB and Climate Transition Benchmark loophole has been retained, allowing products tracking these benchmarks to qualify automatically without meeting all the Transition category criteria.

## TOPICS

## BEUC'S RECOMMENDATIONS

### ESG BASICS

From a consumer perspective, this category provides no added value. Not all funds need to be “green” to be sold to consumers as some consumers still prefer conventional funds. As shown with the [ESMA guidelines](#), a change of name is a feasible avenue for the industry and does not lead to any monetary losses.

BEUC regrets that substantive improvements were not made to ESG Basics. Reliance on best-in-class and ESG ratings with weak exclusions risks recreating Article 8 greenwashing issues.

### PRODUCT-LEVEL DISCLOSURES

BEUC supports a more comprehensive disclosure of principal adverse impacts (PAIs) as suggested by both the Council and Parliament. BEUC calls on co-legislators to follow the Parliament’s text, which will ensure that Transition and Sustainable products disclose PAIs that retail investors can compare across products.

BEUC also supports the Parliament’s addition that disclosures for all product categories should be “suitable for retail investors”.

### NON-CATEGORISED PRODUCTS

BEUC welcomes the disclaimer, suggested by Council and Parliament, for potentially misleading non-categorised products that voluntarily disclose sustainability information. This disclaimer should be attached to all other non-categorised products.

### ENTITY-LEVEL DISCLOSURES

The Commission proposal removed entity level disclosures which reduces sustainability information available to retail investors. BEUC supports the Parliament’s text to require entities to disclose the proportion of assets under management (AUM) and products across product categories relative to the total. However, BEUC regrets the removal of other entity-level disclosures, such as entity PAIs.